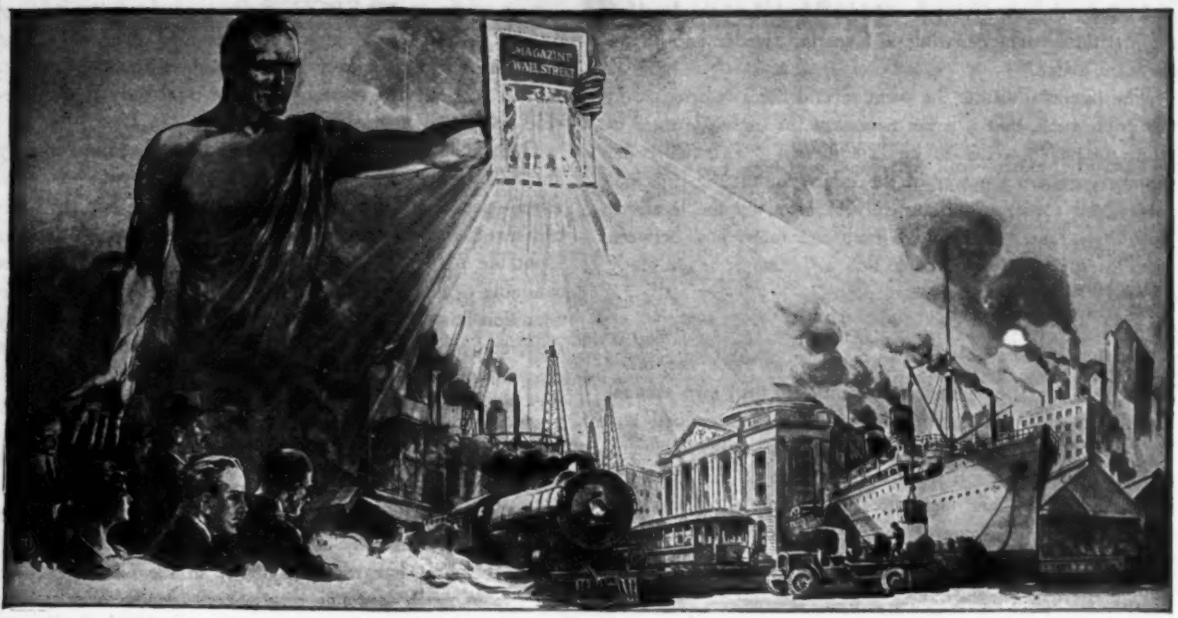


THE OUTLOOK

The World's Price Levels—Trend of Railroad Earnings—Changing Labor Conditions—The Market Prospect

THE heavy liquidation of securities has evidently been primarily due to selling by those whose profits in their regular lines of business have shrunk or disappeared. In many cases the falling values of inventories have created actual losses. Often the business man has been unwilling to charge off these losses, but has held his high-priced goods in the hope of "getting out even." Realizing at last that he must accept these losses, he has sought to strengthen his business position by selling some of his securities.

* * *

World's Commodity Prices

THE wide and erratic changes in commodity prices throughout the world which have resulted from the war have made business more of a gamble than ever before. Those who have been fortunate enough to have large stocks of goods or materials while prices were rising have made big profits, and in most cases they have failed to realize fully that their profits were really the result of a fortunate speculation. But those who have been caught loaded with goods when prices started on the reverse trend have suffered severely, not so much because of any lack of business ability as from failure to forecast correctly a confused and uncertain situation.

Money as a measure of values has become very inaccurate, and as a standard of deferred payments it has been little more than a joke.

There can be no reasonable doubt that the abnormally high prices of many countries have reflected the unconfessed depreciation of the value of the currencies of those countries. Foreign exchange rates are coldly measuring this depreciation; but they reflect also the unsettled balances due between the various countries, so that it is difficult to disentangle the two factors or to assign its proper weight to each.

The figures below give a bird's eye view of the price relationships of those countries for which general commodity price indices are available. The first column shows exchange rates in per cent of par at the beginning of November. The second shows average price levels in the several countries, the year 1913 being assumed as 100—or more briefly, per cent of pre-war prices. And the third column shows per cent of 1913 prices as expressed in American dollars at November 1 rates of exchange—thus giving a reasonably true comparison of price levels as affecting foreign trade.

	Exchange rate, % of par.	Com. prices, % of 1913.	Dollar level, % of 1913.
U. S.	100%	170%	170%
England	69	269	185
France	32	526	169
Italy	19	632	120
Canada	91	241	220
Sweden	72	346	249
Japan	102	230	234

Such a table cannot, of course, pretend to any high degree of accuracy, as the commodity index numbers compiled in the different countries vary widely in their make-up. Those of the U. S. and England are as of November 1, but the others are one or two months earlier and do not therefore exactly correspond to the exchange rates shown in the table. The results obtained in the third column must therefore be taken as only roughly approximate.

It is evident, however, that in the U. S., England and France, commodity prices and exchange rates have adjusted themselves rather closely. The volume of our trade with those countries since the war has been sufficient to bring about this result, and today the price-level-in-dollars in the three countries is nearly the same.

In Italy dollar-prices are considerably below the level of the first three countries, while in Canada, Sweden and Japan they are above.

The figures illustrate the point several times referred to in this publication, that it is not necessary for exchange rates to return to par in order to be "stabilized." Eventually the genuine purchasing power of the money of all the principal commercial countries will be truly reflected by the levels of their prices and their relative exchange rates, and between some of the leading nations this adjustment has already occurred.

* * *

Railroad Earnings

RAILROAD earnings since the roads began to operate for their own account do not yet indicate any well defined tendency. At present a few roads are making an extraordinarily good showing, but most of the roads are suffering from a slump in traffic. For example, of two large systems operating in one of the best traffic territories in the U. S., one had a record month in October, earning a substantial per cent on its common stock, while the other did not cover its fixed charges.

Even the most experienced railroad men are at a loss to explain these unusual differences. So far as the traffic decline is concerned, it is naturally hitting those roads hardest which are located in highly industrialized territory. For example, the roads which depend largely on California traffic report very little falling off in business.

The soft coal roads had a big month in September and did well in October. This was due to the fact that a great deal of coal was piled up awaiting shipment and began to move more freely only when cars were released from other industries. Owing to the fact that consumers in general are poorly supplied with coal, there will be a relatively large coal movement throughout the winter—although this condition will be somewhat modified by the slowing down of industry. The hard coal roads did not do as well in September, because of the miners' strike, but they did much better in October, and the potential business is large.

The September returns from the Southern roads indicated either that the 25% rate increase was inadequate for that region, or that the traffic slump in that territory has been worse than elsewhere. The withholding of cotton from the market was a considerable factor in earnings, but as this must move some time it will finally be reflected in railroad income.

The showing made by New England roads is too bad to be explained by a temporary slump in traffic. The trouble in that region is fundamental, and can be cured only by a redivision of freight rates with the trunk lines, as the New England roads are now performing a quasi-terminal service on regular mileage rates.

Business was good in the first three weeks of October, but reports of tonnage movements and car loading since then indicate that November will be a poor month for the railroads.

The result of these conditions is that no general assertions can be made as to the outlook for railroad stocks. Under the greatly changed conditions resulting from the new law, the returns from each road must be carefully watched and afford the only dependable evidence as to its future. A special article on railroad earnings will be found elsewhere in this issue.

Labor Conditions

REPORTS from nearly every industry indicate a decided increase in the efficiency of labor and an abundant supply. In some cities there is already a considerable amount of unemployment.

One of the principal causes of high prices has been scarcity and inefficiency of labor. During the war we—and our allies—needed a far bigger production than we had the labor to turn out. The inevitable result was fancy wages, and the inevitable result of having two or three jobs for each man available to fill them was dilatory and slovenly work. This condition has at last passed and will not return at any early date, and probably never again to the same extent. Even in the building trades—that stronghold of graft and trade unionism—it is noticeable that contractors are getting hungry for jobs and workmen are anxious to work.

Several writers have called attention to the fact that wages rose for half a dozen years or more after the Civil War. But the labor conditions of that period were so different from those of today that any attempt to draw a historical parallel would be most hazardous. Wages in the Civil War did not rise as much as commodity prices. In the World War the pay of factory workers, common laborers, and many smaller classes of employees, rose more than commodity prices. This was partly due to the present highly industrialized state of our business and partly to the efforts of the labor unions, which were, of course, almost non-existent in the Civil War.

The Civil War, also, was followed by a tremendous increase in the application of machine methods to manufacturing and transportation, which multiplied the product of each workman and therefore made it possible for him to earn more. We are still making progress in this direction, but the stage of development already reached is so high that the increase in production will be relatively much less.

Wage reductions are already being reported from various directions and must inevitably proceed further. With the big fall of commodity prices which has now taken place, costs will have to come down also.

* * *

The Market Prospect

THREE-QUARTERS of the advance in stocks from the very low prices of December, 1917, to the highest level of November, 1919, has now been wiped out; the money market shows distinct signs of improvement, with the Federal Reserve ratio up to 44.1%; the bond market shows a good deal of genuine investment buying; stocks have been declining more than a year; there has been widespread mercantile liquidation; and we are now in the midst of a flood of pessimism such as often marks the late stages of a bear market. Under such conditions it would certainly be unwise for the investor to sacrifice any of his sound securities.

As this is written, however, the immediate outlook does not reflect, in most sections of the stock market, any considerable support. Some companies which are in a relatively strong position are offering stout resistance to the general downward tendency. The oil and tobacco stocks appear to be in the best position of any of the large groups. Very few steel orders are coming in at the moment, but prices have been held relatively firm by the action of U. S. Steel in endeavoring to stabilize the market. Copper shows no signs of early revival. Easier money next year should facilitate railroad financing, which would permit steady buying of steel rails and increased construction and maintenance work.

This is a favorable time to make conservative purchases of the best stocks on scale orders. Ample protection should be provided, for although such stocks are now cheap, they might of course become still cheaper.

Monday, November 22, 1920.

Industrial Reaction: Why and How Long?

Some Reasons Why the Present Period of Dullness Differs from Many in the Past

By G. C. SELDEN

WE, the people of the United States, have been unanimously crying for lower prices for many months past. But now that the lower prices have come, nobody is satisfied. It appears that what each one of us really wanted was lower prices on the other fellow's products, not on his own. So the busy game of trying to find somebody beside ourselves to blame for our troubles still goes on as merrily as ever.

Last fall this Magazine in nearly every issue warned business men against loading up with high-priced goods. But at that time nobody could believe that prices would fall.

"Why, look at the scarcity of all sorts of goods," they cried. "How can prices fall when there aren't goods enough to go around?"

Perhaps the time hasn't quite come to load up with low-priced goods, although purchases in many lines are safe enough even now. But if it hasn't yet come it is at least coming into sight. Nevertheless, nobody will believe it.

"People won't buy," they say. "Look at the increasing failures. Look at Europe. Did you see what Sir George Paish said? Money can't be had. The banks have closed down on loans tighter than a bear trap. Thousands out of work. Things are going to get a lot worse before they get better," etc., etc.

Going to the Dogs

Professor Giddings used to tell his classes that every dog in a pack would run faster and harder because he saw the others running. Whether or not that is true of dogs—and I am willing to take the Professor's word for it—it is certainly true of the American public. A year ago they were running after high prices, with their tongues fairly hanging out of their mouths and dripping in expectation of the big profits they were going to make. Today they are hounding every scared commodity price down the hill to its last stand, zero.

Three-quarters of a century ago, when Mrs. Brown whispered to Mrs. Jones that she had heard somebody say that the village bank was short of money, everybody in town knew within an hour or two that the bank was about to fail—and the result was that all the good townspeople were at the bank door clamoring for their money. Ensued "the run on the bank"—true and tried old property of the Victorian melodramatist.

Today the newspaper and the telegraph have made the whole country into a little village—almost the whole world, indeed. Everybody at his breakfast table reads what everybody else thinks. Mrs. Brown's whisper is megaphoned and wirelessed all over the commercial world.

The grocer reads in the morning paper that Mr. Stonehead Conspieler, of the Department of Theoretical Asininity at Washington, says a sugar famine is imminent. One hundred thousand other grocers read the same thing, and they all try to buy sugar at once. Also, the public all try to lay in sugar to last a year. Result, 25 cents a pound. Next result, sugar comes here from Patagonia, New Zealand, New Hebrides, Iceland, the Caspian Sea, the Saragossa Sea, and other places, if any, where they don't believe all they read in the papers.

And when the 100,000 have bought what they want, and the public has bought all it wants, they all find there is plenty of sugar, so they all try to sell at once. Result; 10 cents for sugar. Next result, everybody uses more; restaurants wake up and remember there is such a thing as sugar, and serve it; all the women start to canning fruit because sugar is cheap; everybody begins to eat candy; even Europe plucks up courage enough to buy a little sugar. Meantime, grocers won't buy much—they have had sugar experience enough for a while. And I suppose by-and-by we shall wake up to the fact that we are out of sugar again, and shall again fall over each other to bull the price.

This is just what has been happening, in a less extreme way, to almost every commodity, material and article in the country.

To a very large extent the recent sharp decline in prices is a big short-selling campaign carried on by the general public to "bear" the markets. Their way of short selling is to postpone purchases. Prices are falling—what's the use of buying now? If we can wait a while, we can buy at pre-war prices. The war is dead—long live peace prices. We are going back to the dear old days of 1913—when we were even more dissatisfied than we are now.

Reaction Not Prolonged

It is this very volatility of the public, the suddenness of these changes of mood, which forms one of the principal reasons why the reaction in trade is not likely to be prolonged. We can change our minds just as quickly now as we could a year ago. We read the papers just as much, we are just as dog-like, we have just the same speculative spirit.

Once the public is convinced that prices have stopped going down, normal buying will begin again—rather more than normal, in fact, for there will be some "backed-up" demand.

Things were a good deal different after the Civil War. For one thing, that was a local war, not a World War. And we issued a flood of paper money which dropped to a heavy depreciation under gold, just as France and Italy and Germany and Austria and Russia have all done, to a greater or less degree, in the last war. Again, means of communication were crude then compared with today.

But in spite of these differences, the main facts of prices forced to a high level by war demand and falling back part way soon after the war was over, were just the same as today. So it is interesting to see how prices acted then.

The average of commodity prices, as measured in gold—a decidedly better index of values than the depreciated paper money of that time—reached its highest point in 1866, a year after the end of the war. It then lost 49% of its war advance. After this came a rally, and new low prices were not reached until seven years later.

On the first of November, 1920, Bradstreet's commodity price average had fallen 41½% of its war rise, and there has been some further decline since then. So we have already had nearly as much reaction from our top prices as occurred after the Civil War.

Also, our prices have fallen a good deal more than those of other countries. English commodity prices, for example, have lost only 20% of their war advance, and the situation is similar in other European countries.

While these facts do not show that our prices will not fall further, they do prove that we have already had a big decline compared with what history and general information would lead us to expect under present conditions.

No Money Panic

While we have had high money rates, we have had no money panic and will not have any. The severe trade depressions of the past have usually been preceded by money and stock market panics, which brought the machinery of commerce to a stop with a violent jolt. That jolt we have avoided. Liquidation and readjustment have been orderly, and this leaves our trade structure in a better position than it has usually been when emerging from a panic.

A panic forces many investors and business men to take heavy losses which they could have avoided if they had been given time to readjust themselves. In 1920, they have had this time. True enough, they have had to pay 8% for money; but that is a small sacrifice compared with the losses that often result from being pushed into a corner through inability to borrow at all.

Our stock of gold is tremendous and, since April, exports of gold have been succeeded by a moderate import movement. In the ten months ended last March our net gold exports were about \$406,000,000; in the six months following March we imported a balance of about \$44,000,000, which is indeed remarkable when we remember the heavy discount on foreign exchange rates.

But this discount for the most part represents an actual depreciation in the purchasing power of foreign moneys, and insofar as that fact is recognized abroad, the exchange situation will lose its effect on gold movements. Eventually and in the long run, we shall doubtless export more gold; but that is a matter of years, and will have little if any effect on our business conditions in 1921.

Important Domestic Factors

Among economic factors at home, one of the most important is the new position

of the railroads. In past periods of depression, the ralroiads have suffered as much as other busneiss. In this case, they have just been granted an important rate increase, and the Interstate Commerce Commission is required by the law to adjust rates as nearly as possible to provide a profit of 5½% on the roads' invested capital.

What this means is that railroad income should be relatively better maintained than in previous trade reactions. The roads need to do a vast amount of maintenance work and enlargement of terminals and yards, and they may perhaps have the money with which to do this work at a time when labor is released by other industries, thus affording a considerable support to the general business situation.

Railroad needs for equipment are not so great as might be supposed. Heavier loading and more rapid car movement are getting more work out of the same equipment. Some roads are rather short of locomotives. But buying of equipment need not be heavy except for the purpose of getting ready for the bigger demands which will be made on the roads when general business becomes more active. In the past, railroad managements have rarely had the foresight—and the funds—to provide in advance for increased traffic. It remains to be seen what will happen now that railroad income is in a measure "stabilized."

Taking everything together, however, the roads should be in a better position than industrial and mercantile companies.

Shelves Not Overloaded

Another element which should tend to make the present business reaction relatively short, is the fact that stocks of goods on hand are not unduly large. Viewing the business of the country broadly, the fall of prices has been due to shrinkage of demand rather than to excess of supplies. At top prices, consumers rebelled; and now that prices are on the down grade, consumers are looking on delightedly and enjoying the plight of the profiteers. But in the meantime we are wearing our old clothes and having our shoes half-soled and going without various things we would like to have and refusing to lay in a supply of any little thing at all whatsoever.

Some day we shall go out at the elbows and have to buy, and it looks to me as though next spring or early summer would be the time.

A stock of surplus goods, big or little, is hard to get rid of on falling prices, as merchants well know; but once prices stop falling and normal buying appears again, it makes a lot of difference whether stocks of goods are big or little. With only moderate stocks on hand, recovery will be much easier than it would be if shelves were still loaded.

A big factor in the drying up of demand this fall has been the holding back of crops by farmers. The farmer can get along without buying much of anything, if he really wants to, and rather than sell his crops at what he regards as unduly low prices, he has been doing just about that. But most of those crops will come forward, regardless of prices, before the next crop is harvested, and when the farmer gets the money for them he will again appear as a buyer of merchandise.

In that way a considerable postponed demand is likely to put in an appearance next spring or summer, and it will be reenforced by a further postponed demand from consumers who have been temporarily going without and jeering at the profiteers.

Pessimism Overdone

It is highly probable that Judge Gary was quite right when he said in our last issue—the first exclusive business interview, by the way, that the Judge has ever given—that pessimism was being overdone.

You know these fellows who are always either sailing around on rosy clouds of enthusiasm or groveling in the black depths of despair and gloom—well, that's American business to the life, and more so today than ever before.

The Great Consumers' Strike of 1920 will have to end about where other strikes do. Workers get concessions or they don't get them—but in either case they have to go back to work; likewise consumers will have to go back to consuming. I expect a rather dull business winter, but when spring comes and flowers are blooming, birds caroling, streams chortling or whatever they do, skies smiling and winds whispering, and you get the old bus out and hit up forty-five and get arrested and don't care—you'll feel better and go out and buy something.

The Mechanics of Bank Acceptances

John E. Rovensky Reviews the Operations Involved in a Simple Case

In an article appearing in the *N. Y. Tribune*, John E. Rovensky, vice-president, National Bank of Commerce, described in remarkably simple terms the mechanics of bank acceptances. In part, Mr. Rovensky said:

"When John Smith borrows $500 from the Tenth National Bank on his three-month promissory note the transaction is composed of two distinct elements. One is credit—the other is cash.

"The Tenth National Bank has faith in the credit of John Smith. It is confident that at the end of three months he will be willing and able to repay the $500. That is the credit element of the transaction. This element, however, would be impotent by itself. If the Tenth National Bank was 'loaned up' and did not have the $500 available it would be of little help to John Smith to know that it has faith in his credit. The Tenth National Bank must have the funds to loan—that is the cash element of the transaction.

"The Tenth National Bank, however, is located in a section of the country where there is an abnormal demand for funds and it cannot conveniently expand its loans further. It is willing to give John Smith the credit, but it does not have the cash. This is a situation which could not be met by the promissory note method of financing. Under these conditions the Tenth National Bank will permit Smith to draw on it at three months' sight. The bank accepts his draft and by so doing becomes the primary obligor. The Tenth National Bank is bound absolutely to pay the draft at its maturity to a holder in due course, regardless of whether Smith is solvent at the end of three months or not. At the maturity of the draft the holder presents it to the Tenth National Bank and receives his money just as surely as if he presented a certified check.

"The draft drawn by Smith and accepted by the Tenth National Bank, which thereby has become a prime bankers' acceptance, has a broad ready market, because the accepting bank is widely known and its condition is a matter of public record which can be quickly checked. A large volume of such acceptances can be sold on a few minutes' notice through the medium of brokers and dealers.

"Smith, having had his draft accepted by the Tenth National Bank, obtains the cash by selling the draft in the open market. Usually the Tenth National Bank will handle the sale of the acceptance for him, as it is more familiar with this business than he.

"Thus you see how the banker's acceptance splits the loaning operation into its two elements. The Tenth National Bank, by placing its acceptance on Smith's draft, grants him the credit. The bank takes the risk of Smith's being willing and able to repay the money at the end of three months. The Tenth National Bank, however, is not itself called upon to advance any cash. The cash is obtained by selling the acceptance in the open market. It is furnished by any bank in the country that happens to have funds to spare.

"By this separation of functions the banker's acceptance enables the borrower to tap the great national reservoir of bank funds, otherwise almost unavailable to him. His credit is certified to by his home bank, and thus equipped he enters the national market.

"There is another use to which this interesting operation of separating the cash and the credit elements of bank credit is frequently put. Suppose Smith, in New York, wishes to buy hides from Gonzales, in Buenos Ayres, on three months' credit terms. Gonzales is willing and able to sell the hides on three months' terms; that is, he is willing to furnish the material part of the transaction, but he is not sufficiently in touch with Smith's affairs to grant him the credit. The banker's acceptance, by separating the credit and the cash or material elements of the transaction, solves the difficulty.

"Smith arranges with the Tenth National Bank to authorize Gonzales to ship Smith the hides and draw a three months' sight draft, with the shipping documents attached, on the Tenth National Bank. The Tenth National Bank accepts the draft, and thus Gonzales is assured that he will receive his money at the end of three months, while Smith obtains his hides on three months' credit terms, as he desired.

(Continued on page 142)

Are the Railroads Making Good?

A Resumé of the Railroad Situation — Railroad Evolution and Decline — The Prospect of Rehabilitation

By EDWIN EVANS MENTZER

NOW that "railroad rejuvenation" under the Transportation Act has been digesting for some nine months, it is timely to review this unusual situation. Of course, the new law is not a panacea for all railroad ills, but without doubt it has done much to restore railroad credit, and credit is the very life blood of all business enterprise.

The importance of railroading is at once apparent, when we recall that it involves more than 270,000 miles of road; employs more than 2,000,000 people; is capitalized at something like $20,000,000,000, and represents physical value in excess of capitalization.

The Evolution of the Railroads

Our great arteries of trade were evolved from the old fashioned tramways, and the substitution of steam for muscle traction. The original lines were short in length and poorly equipped, but as provincialism was outgrown, there arose demand for uninterrupted travel and shipment between more distant points, and the country entered a period of unprecedented railroad expansion.

Strong roads extended their lines into new territories. They leased and purchased their weaker brothers. They merged and consolidated connecting properties. They acquired control of other lines through stock purchases. Thus the gigantic organizations of the present day were produced by the welding together of smaller railroad units.

As these various leases, purchases, mergers, consolidations and stock controls were consummated, there were brought about complicated financial structures confusing even to the expert statistician, and impossible of lay solution. But, irrespective of existing intricacies, stocks, bonds, notes and the like—the tools of railroad finance—represent enormous earning power and investment value of the highest worth.

The business of railroading began in the thirties. It developed with rapid strides through seventy years of alternating prosperity and depression. In 1906, it reached the then pinnacle of success. It attained the highest degree of excellence in speed, comfort and efficiency. Its service to the shipping and traveling public was the marvel of the civilized world. Its average surplus earnings were nearly 6¾%, and its borrowing power was founded on 4% money. Its popularity was unquestioned, and so widely were its securities recognized, that nearly 60% of the Stock Exchange turnover was in railroad stocks and bonds.

The Decline of Railroad Credit

Then a periodical tide of unrest swept the country, led by ambitious radical political aspirants, and Bolshevism was in its thousandth infancy. The public became insatiate with desire to overthrow the orderly processes of business. Envy and resentment filled the minds of the majority, and the agencies of public service seemed to be the special objects of public enmity.

The people were led to believe that railroad corporations represented the heart of organized iniquity. Ruinous laws restricting railroad ambition were written into the statutes of National and State Governments. Railroad operation was curbed; consolidations prohibited; working agreements abolished; and regulation proceeded without regard for the underlying basic principles of economics. Railroad credit was paralyzed, and without credit the roads were unable to properly maintain structures and equipments. Railroad service passed into decline, and railroad securities disappeared from popular favor.

So serious was this decadence, that in the crucial test of the World War, the railroads were not equal to the extraordinary strains thus suddenly thrust upon them. Under the then existing laws, they could not do that which emergency demanded. Hence the Government was forced to take the transportation lines from the hands of their owners in order to effect speedy adjustment of adequate rates, to consolidate the various properties into workable units, and to divert traffic from natural channels, and thus clear the way for the delivery of war materials.

But Government operation was not successful. Mixtures of politics and business are inherently ineffective. They invariably produce economic indigestion. Not only were the Government's methods of conducting business slow, wasteful and inefficient, but the tax toll demanded for the experiment has already cost the people several billions of dollars, with the end not yet in sight. Moreover, with few exceptions, the service rendered was unsatisfactory to everybody.

The result of these conditions was that, with the passing of the war exigency, the people almost unanimously demanded the return of the roads to their private owners, and this return under circumstances which might permit efficiently managed properties to meet expenses, set aside liberal funds for betterments and extensions, pay reasonable profits to railroad owners, and function for the public good with maximum speed and dispatch.

The Transportation Act

Therefore, after months of deliberation, Congress passed the Transportation Act as of February, 1920. This law provided a definite policy for centralized railroad regulation and supervision. It did not in any way guarantee profits to railroad owners. It directed that the Interstate Commerce Commission should, from time to time, establish rates and fares which would permit the average roads of certain geographical districts to earn "fair return upon the aggregate value of railroad property held for and used in the service of transportation." Its spirit and intent were tantamount to Federal incorporation.

RAILROAD NET NECESSARY TO SHOW 6% ON AGGREGATE PROPERTY ACCOUNTS.

Based on the proportionate amount of the "standard return" earned in each month of the "test period" (1914-17) the Class 1 railroads should now earn monthly net operating income as follows:

	United States	Eastern	Southern	Western
January	$67,262,000	$29,147,000	$9,342,000	$28,778,000
February	56,776,000	24,602,000	7,885,000	24,288,000
March	81,184,000	35,179,000	11,275,000	34,729,000
April	80,330,000	34,810,000	11,157,000	34,363,000
May	92,534,000	40,098,000	12,852,000	39,584,000
June	98,809,000	42,817,000	13,723,000	42,269,000
July	90,320,000	39,139,000	12,545,000	38,638,000
August	104,144,000	45,129,000	14,465,000	44,550,000
September	109,220,000	47,329,000	15,170,000	46,722,000
October	112,709,000	48,840,000	15,654,000	48,214,000
November	99,598,000	43,159,000	13,833,000	42,005,000
December	87,113,000	37,749,000	12,099,000	37,265,000
	$1,080,000,000	$468,000,000	$150,000,000	$462,000,000

Railroad rates now in effect are intended to produce a net operating income of 6% a year on the aggregate valuation of the railways in each traffic territory. The tentative valuation used by the Interstate Commerce Commission for all railroads in the United States is $18,900,000,000. On this basis the valuation of Class 1 railroads would be $18,000,000,000, divided as follows: East, $7,800,000,000; South, $2,500,000,000; West, $7,700,000,000. A net operating income of 6% on this valuation would be $1,080,000,000, divided as follows: East, $468,000,000; South, $150,000,000; West, $462,000,000.

It provided that net income in excess of 6% be divided equally between a Government railway contingent fund—created for the purpose of assisting weaker roads—and a reserve fund of each excess earning company. Should such reserve amount to 5% of any road's transportation property, excess profits which it may be permitted to retain may be used for any lawful purpose of the company.

It created a Labor Board with duties appertaining to the adjudication of labor disputes not adjusted by conference of the interested parties. It authorized and provided for consolidations of railroad properties. It charged the Interstate Commerce Commission with full, exclusive, responsible supervision of railroad security issues, and the disposition of proceeds derived therefrom.

Of great importance, this new law placed in the hands of the Federal Regulatory Body power to override the decisions of State Commissions, and even State laws which, in matters of interstate

commerce, might conflict with the orders and permits of the National Commission. This was indeed an important provision, as approximately 85% of the country's freight shipments and 60% of the passenger travel are interstate commerce, and thus directly within the Federal jurisdiction. But it is thought the Federal power indirectly extends to all intrastate commerce as well.

Interpretation of the Transportation Act

Conforming to the intent of the Transportation Act, the Interstate Commerce Commission divided the country into four geographical districts; established tentative interim values for railroad properties, pending the more elaborate appraisements which are now nearing completion; and thereon permitted advanced rates and fares based on 5½% of the tentative values with an extra ½% for emergency betterments chargeable to capital account.

It is interesting to note that the capital stock of the leading roads was estimated at $7,493,000,000; that the interest bearing debts were $10,453,000,000; and that the tentative valuation of railroad property amounts to $18,900,000,000—over a billion dollars more than the total capitalization. Moreover the consensus of opinion is that the ultimate appraisement will be in excess of the tentative valuation.

These figures at once explode the widely proclaimed fallacy that American railroads are grossly overcapitalized.

The Effect of the New Law

The effect of the new law depends upon valuation of transportation property, and the operating efficiency of individual roads. As was pointed out, the increased rates were based on fair return to average roads of certain geographical districts, but in each district there are strong roads and weak roads.

Strong companies will be stabilized by the new regime, and their power to borrow cheap money will be increased. Furthermore, as many of these fortunate concerns possess huge non-transportation investments—in which the Government is not interested—their revenues will be much enhanced from such sources.

On the other hand, the weak roads will be more directly benefited by the actual rate increases, and further they may gain by the use of the moneys accumulated in the Government's contingent fund.

The country has received these new administrations with unusually favorable acquiescence. Some thirty States have already concurred through their regulatory bodies, but in other States objection has arisen in regard to the increases of passenger fares. Eight States have disapproved the 20% passenger increase, and their decisions have been appealed to the Interstate Commerce Commission, which is apparently the court of last resort in all matters of railroad rates and fares. Very likely, there will be no speedy determination of this question, as it is thought the policy of the Commission will be conciliatory, and that in time the States will recognize the importance of maintaining the new rates and fares at least during the period of railroad resuscitation.

Nevertheless, when all is said and done, **the fact remains that the new legislation has saved the railroad industry from wholesale insolvency; that the new rates are ample to meet the increased cost of conducting transportation, and the excessive prices of rehabilitating materials; that the liberal interpretation of the National Commission has set in motion the machinery which will eventually restore railroad credit; and that the railroads have entered a new era of public usefulness.**

The Problems of the Railroad Managers

Now, Congress has done its part in solving the transportation muddle; the Interstate Commerce Commission has performed its duty with all justice and fearlessness; and the people have upheld the actions of their representatives. It is, therefore, up to the railroad managers to operate the roads with economy, efficiency and maximum public service. This is now the paramount issue in the railroad situation. If these vital factors are not forthcoming; if the railroads fail to gain the confidence of the people, and pursue a policy of "the public be damned," another experiment with Government operation is as inevitable as the changing of the seasons.

It is well to remember that communism is not dead; that it is not innovation; and that its present day application is not even new invention.

Bolshevism is merely the adaptation of theories evolved and discarded by all races from the foundation of the world, but trotted out and tried again and again by the periodically disgruntled people.

Hence the question is very pertinent—Are the railroads making good?

The indications and statistics answer in the affirmative. The Interstate Commerce Commission has informed us that in spite of strikes, wornout roadway and depleted equipment more freight has been moved this year than in any corresponding period of history. During the first seven months of 1920, freight was handled to the extent of 249,000,000 ton miles, as against 213,000,000 ton miles for the same period of 1919, and 247,500,000 ton miles for the same period of 1918. The force of these figures is shown by a late statement of some authority who asserted that an increase of one ton mile a day is equivalent to 100,000 additional cars.

But this is not all. The field of labor is being cultivated. The weeds are being pulled out in order that efficient laboring men may grow and prosper. In other words, it is the application of the trite old rule that the fittest survives. Railroad employees realize this fact, and they are becoming more and more willing to give a dollar's worth of labor for a dollar's worth of cash.

The Shipping Public's Part in Railroad Efficiency

The shippers of the country also must bear in mind, that their methods of handling freight and cars—loading and unloading consignments—have much to do with railroad efficiency. The shippers are the men who are most vitally interested in efficient railroading. What profit can be expected from huge investments in manufacturing plants, and from proficient economical business organizations, if great difficulty and delay is experienced in procuring raw materials, and in marketing finished products? Moreover, poor railroad service to these men means "frozen credits." It means that their borrowings for current expenses will be tied up for inordinate periods of time. It means intolerable economic waste; increased cost of conducting business; higher commodity prices; and more expensive living. Shippers must be taught the invaluable service they may render to themselves and to the public by effective methods of handling their individual freight problems.

Conclusions

Conditions are not at all discouraging. Regardless of the dark clouds, which invariably linger after the breaking of a storm, the whole railroad situation is markedly favorable. Undoubtedly, it is true that a disagreeable stumbling block to rehabilitation is the abnormal condition of money and credit, which still exists, although liquidation is progressing more rapidly than a great many people think. Things move with greater celerity in our day than ever before in the history of the world.

Business is slowing down, as it always does when prices are falling. The condition of monetary and political Europe is also a retardent. Furthermore the opinion of the investing world is much confused. It is not crystalized, and all capital is timid. Even Wall Street does not understand the symptoms of this period of railroad convalescence. Nevertheless, it is hard to find anybody in the class of students of economics who is not confident that the railroad patient will ultimately recover under the present plan of medication, but that the plan must be changed to meet future complications as they arise.

The pubic is invariably slow in forecasting the fluctuations of business conditions. Seldom do the people grasp opportunity when it is passing.

Now-a-days railroad stocks and bonds are quoted at prices around the lowest levels of the present century. The bargains are almost too numerous to tabulate. There have been some recoveries, it is true, but these are of little moment. The man is a fool who thinks he can buy at the lowest points.

We have not had a bull market in rails since 1906, and such a movement is about due if history repeats itself, and the signs of the times are not deceptive. But that there will be any sudden rebound can hardly be expected. The movement is more likely to be in the nature of a gradual rise to the level of 6% and safety. Then when the movement has culminated, many of the wisely managed properties may witness the disappearance of their choice issues from the turbulent and uncertain field of speculation.

It is even probable that the better class of railroad stocks and bonds may enter a haven of investment rest, and that in the future these securities will be purchased and held by those who desire above all else safety of principal, satisfactory return and easy marketability. If this ambitious status can be brought about railroad service will develop to the highest degree of public usefulness the world has ever known.

Foreign Trade and Securities

Canada's Fast-Growing Trade With the United States

Exports to Dominion Have Risen Steadily in Past—War Bulge Hardly Lost Despite Adverse Exchange Rates

By **M. O. HAMMOND**

THE Republican victory in the United States elections is chiefly of interest to Canada from its possible effect on tariff relations between the two countries.

Already fears have been expressed in Canada that the high tariff party again in control at Washington will erect a wall that will embarrass the Canadian export trade, which has suffered in years past from the inflictions of the McKinley and Dingley tariffs. So much progress has been made in the development of trade between the two countries that a fresh interruption of the kind mentioned would cause annoyance and embarrassment on both sides.

Canadian imports from the United States are reaching tremendous proportions, making Canada the second best customer of the Republic for all the latter's exports and the best customer of all when it comes to manufactured goods. In turn, Canada is increasing its exports to the United States, chiefly along the line of wood products and certain foodstuffs, and an adverse balance of trade such as now exists could not well bear conditions of further adversity. Constantly there are agitations in Canada against such heavy imports from across the line, but the importations, continue in almost undiminished volume. Canadian manufacturers are striving to secure a stronger hold on the home market by means of high tariff imposts, but the farmers' organizations in the different provinces offer strong resistance and, in fact, demand material modifications in the schedules.

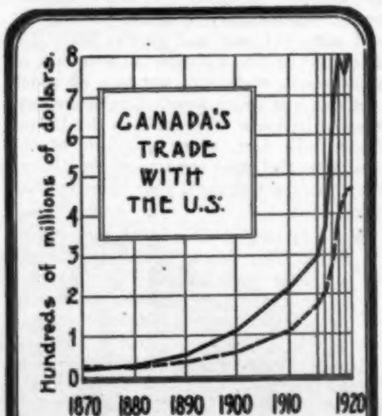
So important has the Canadian market become and associated with it the entry into certain other countries of the British Empire, under a preferential tariff, that United States manufacturers to the number of 600, it is estimated, have established branch plants in Canada. Even this move has not prevented an increase in the imports from the Republic, though the proportion of imports from that source to the whole of the imports by Canada shows a slight falling off. This, however, may be explained by the lessened imports of materials for war munitions in the last year or two.

Politics Has Played Large Part

Politics have been closely associated with the trade question applying to these two countries, for many years past. This dates from the middle of last century, when Canadians, taking umbrage at the repeal of the Corn Laws by Britain, or otherwise the introduction of free trade, sought closer trade relations with the big country to the south. Canada suffered from the free competition which had then to be encountered in the British market, and from 1854 to 1866 a treaty of reciprocity affecting natural products existed between it and the United States Under this treaty the Canadian producer derived great benefits, enriching the farmers and bringing them a degree of prosperity hitherto unknown. The United States did not profit so greatly, and continually chafed under the failure to secure free admission into Canada for United States manufactures.

ANALYSIS OF CANADA'S EXPORTS TO THE UNITED STATES.

	1918.	1919.	1920.
Wood, wood products and paper	$100,628,211	$127,435,373	$158,701,848
Planks and boards	25,817,367	30,898,609	44,874,541
Paper	32,670,306	39,666,535	50,367,339
Wood pulp, chemically prepared	16,171,096	26,256,265	35,550,882
Wood pulp, mechanically ground	6,487,079	4,418,565	5,765,871
Wheat	53,561,585	4,308,990	14,000,982
Cattle, over one year	13,304,396	29,135,247	41,226,445
Furs, undressed	6,355,061	9,658,753	16,532,901
Hides and skins (other than fur)	8,035,681	7,171,675	17,349,474
Copper, fine, in ore, matte, regulus, etc	9,695,086	7,865,861	5,000,974
Nickel, fine, in matte, ore or speiss	7,453,831	8,444,716	3,918,315
Nickel, fine	12,787	31,895	3,615,122
Coal	5,276,770	6,114,931	5,709,441
Asbestos	3,966,640	6,890,786	6,506,629
Gold-bearing quartz, nuggets, etc.	13,684,514	9,201,063	5,876,269
Silver	7,155,487	7,539,953	5,408,520



Later, at several different periods, the reciprocity issue was again raised, without actually coming to definite result. Early in the seventies a draft treaty failed to secure confirmation, and at different times thereafter negotiations were again carried on. The policy of the Liberal party, then in opposition, in the 1891 Canadian elections was for "unrestricted reciprocity," but the government of Sir John Macdonald was re-elected on the strength of the loyalty slogan of the Premier, "A British subject I was born; a British subject I shall die."

History repeated itself in a measure in 1911, when the Liberal Government of Sir Wilfrid Laurier was defeated after negotiating a fresh treaty providing for reciprocity in natural products, much along the lines of the agreement of fifty years earlier. During the 1911 elections, appeals to prejudice by those opposing reciprocity were numerous, one classic remark being that of the chairman at a Conservative meeting, that he would have "No truck nor trade with the Yankees." How ineffectual such an aspiration appears may

IMPORTS FROM THE UNITED STATES.

Cotton and its products	$41,162,900	$59,148,319	$68,219,872
Wool and manufactures of (including clothing)	6,296,183	6,139,019	22,468,397
Fibres, textiles and textile products	86,477,336	100,020,829	134,832,161
Silk and its products	7,381,400	13,971,575	15,666,297
Sugar	10,589,618	11,976,291	22,585,153
Iron and steel, and manufactures of	154,113,633	154,426,648	182,178,351
Coal, anthracite	28,021,628	24,805,609	31,042,384
Coal, bituminous	46,864,048	44,409,642	27,422,693
Petroleum, asphalt and other products	24,717,638	31,511,694	28,525,941
Leather and manufactures of	8,519,988	11,221,211	15,742,001
Tobacco, unmanufactured	6,005,008	10,325,820	12,787,163
Automobiles, passenger	11,317,245	5,376,510	11,196,387
Automobiles, freight	1,375,179	2,262,416	3,811,189
Automobiles, parts of	6,653,946	6,648,775	12,080,780
Iron ore	4,159,789	5,048,456	4,098,639

be seen from the subsequent record of the trade of the two countries.

In any case, the Government of Sir Robert Borden took office, the great war soon followed, the high tariff party remained in power in Canada, but trade continued to increase in volume between the two countries.

Efforts to Determine Proper Tariffs

Recently an inquiry has proceeded in different parts of Canada by a tariff commission headed by the Minister of Finance, Sir Henry Drayton, seeking the views of all classes, as to the proper tariff Canada should maintain. Most of the views presented have frankly emanated from self-interest, as is to be expected. Manufacturers have presented their case for a high wall against outside imports, while farmers and other consumers have sought relief from the high prices charged by home manufacturers under the protection of the tariff.

Canada's fiscal position has undergone important changes through the necessities for interest payment on heavy war debt. With a debt of $2,000,000,000, there are interest charges of over $100,000,000 each year. Unless the farmers come into power, or some magic means of taxation is found, there is little prospect of serious reduction in the customs duties imposed by Canada. Under these conditions the so-called "free trade" element in Canadian politics has been less articulate of late. Hon. Mackenzie King, leader of the Liberal opposition, is a moderate protectionist, while Hon. T. A. Crerar, leader of the farmer's wing in the House of Commons, does not propose to wipe out all tariff restrictions. These details are presented to show the current situation in Canada, so far as tariff and trade matters are concerned, but, after all, the position may best be studied by what has actually happened during the past few years.

Analysis of Imports from the U. S.

Trade between Canada and the United States has been influenced by latitude and longitude, as well as by the slower development of manufactures in Canada. Were it not for the fact that Canada is a northern and the United States a relatively southern country, there would not be the need for cotton supplies for the north, which form no inconsiderable part of Canada's imports. The same applies to large quantities of citrus fruits, which sweep up from Florida, California and other Southern States to supply a need which Canada cannot meet from its own resources.

When it comes to coal, it is also a geographical matter. Canada has abundance of coal, but it is unfortunately located so far as the Central Provinces are concerned. The coal deposits of Nova Scotia and Alberta, together with smaller quantities in other Western Provinces, are estimated to form one-sixth of the coal supplies of the world, but, as there is no coal in Ontario or Quebec, Canada has to buy $60,000,000 to $70,000,000 per year from its southern neighbor but in return sends $5,000,000 to the United States, chiefly to New England, which in turn is without coal.

So far as oil is concerned, Canada's resources appear inadequate, though exploratory work, now being prosecuted vigorously in the West, gives promise of important results. Meantime, the great bulk of petroleum and its products used in Canada is imported, to the extent of almost $30,000,000 a year from the United States. Canada, likewise, has some important iron ore deposits, but development has been backward, because of the peculiar nature of these ores, some of them being refractory and others having to be supplemented by ores available in the United States. As a consequence, ore to the value of about $5,000,000 is imported each year from the Republic. Two large Canadian steel companies, however, own immense iron ore deposits in Newfoundland, and these form the basis of the great steel industry of Nova Scotia.

Another southern product which Canada buys largely is unmanufactured tobacco, of which over $12,000,000 was brought in from the United States last year, comprising nearly the entire imports of that article. In the same class, but even more widely used, is sugar, of which the United States sent $22,000,000 last year, out of our total imports of $68,000,000.

Manufactures the Chief Imports

It is in the field of manufactures, however, that the majority of Canadian imports take place. This is not to say completely manufactured articles, by any means, as great quantities of iron and steel products, for example, are imported in a semi-finished state.

Taking the iron and steel industry as a whole, the importation of these products and manufactures thereof amounted to $190,000,000 last year, of which $182,000,000 came from the United States. The principal items were rolling mill products, $41,000,000; machinery (except agricultural), $37,000,000; vehicles, $31,000,000; and wire (of iron and steel), $8,000,000. There were in addition a long list of sheets, bars, rods, etc., the sale of which to Canada is of no inconsiderable importance to iron and steel mills in the United States. In fact, about one-fifth of the total iron and steel exports of the United States in the last fiscal year came to Canada.

Much is said in Canada of the imports of automobiles from the United States, as a costly expenditure for luxuries. Trade returns suggest that the dimensions of these imports are somewhat exaggerated.

In any case, automobile imports to Canada are almost 100% from the United States. Last year passenger automobiles to the value of $11,000,000 came over, freight automobiles nearly $4,000,000, and parts of automobiles $12,000,000, the latter being largely for assembly in Canada, at branch factories. Several of the larger American automobile companies have extensive plants in Canada; in fact, little Canadian capital is represented in that industry.

Canada has an important textile industry, which is sometimes criticized as not being indigenous, at least so far as cottons are concerned. However, the value of cotton products manufactured in Canada, in the latest statistics available, was $66,000,000 for the year, compared with which importations of cotton and its products from the United States last year were $68,000,000. Great Britain furnishes much of the woolen goods coming to Canada, but home manufactures amounted to $25,000,000, while importations of wool and manufactures, including clothing, last year were $63,000,000, of which $22,000,000 came from the United States. In silk and its products, there is less home competition, and imports from the United States last year were $15,000,000. In all, the United States sent Canada last year $134,000,000 in fibres, textiles and textile products, a total which grows from year to year.

Leather and its manufactures, including boots and shoes, entered Canada from the United States to the value of $15,000,000, comprising nearly the total imports of that kind, while home production of boots and shoes was $46,000,000 and of leather $33,000,000. It is claimed that 95% of the boots and shoes bought in Canada are now made at home.

Canada's Exports to the U. S.

It is in certain classes of great natural products, in which Canada has an outstanding position, that the return traffic to the United States is derived. Naturally, chief interest centres in wood and wood products and paper, of which $153,000,000 went across last year, out of a total of $214,000,000 exported from Canada to all countries.

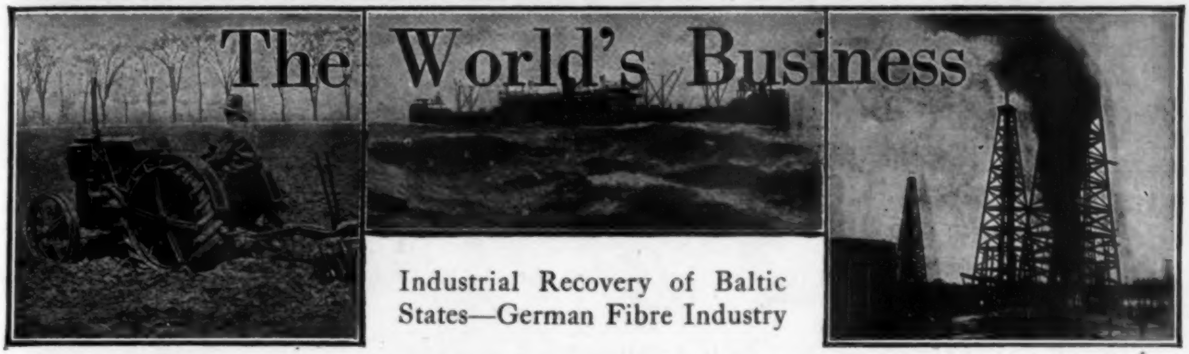
A natural resource like asbestos grows in importance, owing to Canada's practical monopoly of it, and last year over $6,000,000 of it was sent to the United States.

Favorable tariff conditions have given a fresh impetus to the export of foodstuffs from Canada to the Republic. This applies especially to cattle, of which $41,000,000 was sent across, while of wheat the quantity was $14,000,000. United States got most of Canada's cattle exports, because of the British embargo, which requires imported cattle to be slaughtered on landing; but in wheat the United States only secured about 8% of Canada's total exports. Undressed furs to the value of $16,000,000, and hides and skins, other than fur, to the value of $17,000,000, also crossed the boundary.

It is probable that exports of Canadian minerals will play an increasingly important part in future trade, though it may be some time before the export of nickel and copper returns to the figures developed during the war. Last year, copper exports were $5,000,000, nickel $7,000,000, silver $5,000,000, and gold-bearing quartz $5,000,000, all of these being reductions from the previous year or two.

These few items singled out give an indication of the main products affected by this great current of international trade and which affects in greater or less degree practically every part of both countries.

Imports from the United States have grown in ratio to all imports to Canada from 60.30% in 1901 to 65.13 in 1915, 82.27 in 1918, and now show a small decline to 81.50 in 1919 and 75.39 in the fiscal year ending March 31, 1920. Exchange has encouraged an increase in exports from Great Britain to Canada, just as adverse exchange has tended to curb some of the imports from the United States. Such a large portion of the latter, however, is comprised of raw materials or semi-finished products, that little change has taken place.



The World's Business

Industrial Recovery of Baltic States—German Fibre Industry

THE BALTIC STATES

LITHUANIA, Latvia and Esthonia, the three new Baltic States, once part of Russia, are slowly getting upon their feet and recovering from the devastating effects of the war. Their recovery is largely due to the crops. Agricultural experts report that this year's harvest will be found sufficient, for the first time in six years, to meet the needs of the population. Better still, it is hoped that it will be plentiful enough to permit of exportation, thus furnishing much needed grain to other European nations.

In this return of the Baltic States to normal production the American people have had a hand. Various medical missions of the American Red Cross have been at work there, restoring the people to health through their free dispensaries, hospitals and child welfare work. War had reduced the supply of doctors and nurses to the vanishing point, medical and hospital supplies were exhausted, and there was little or no attempt made by the people toward sanitary living. The result was that disease was slowly sapping the life of the newly created nation.

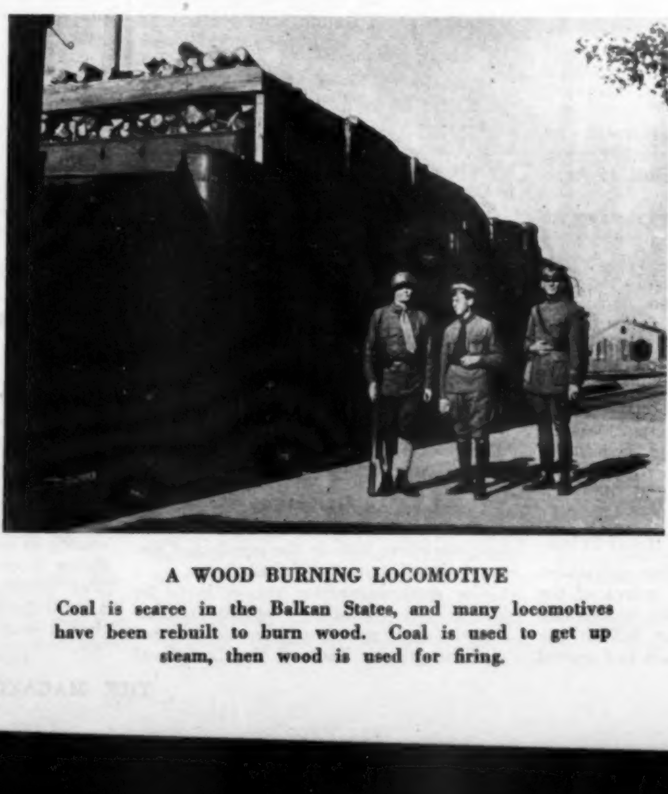
The Lettish government is exerting itself to assist the manufacturers by extending them credit. Already a total credit of 1,863,000 rubles has been granted to 36 manufacturers. To meet the scarcity of labor, employers are offering work to the refugees who are flocking into Riga from old Russia. Work is being found for them in metallurgical works, of which Riga has 137, wood-using establishments, of which there are 83, and in 19 tanneries, 46 paper and 4 clay-working factories.

Recently Latvia has taken a census, the first ever taken. The first question on the questionnaire is the all-important one: Can you work, and at what? It is estimated that there are about three million people in Latvia and they are being classified into workers and drones. Local legislators propose that all persons listed as economic slackers be forced by law to learn and pursue a useful trade or profession or be heavily fined for the privilege of living in idleness.

All foreigners in Latvia are required to fill out the census questionnaire. Nearly everyone in the country speaks fluently at least three languages—usually Russian, German, and either Lettish or Polish. All the educated classes speak French and English. Four religious sects predominate in Latvia, the Lutheran claiming the majority, but there are also large numbers of Greeks and Roman Catholics and orthodox Jews.

The transportation problem is one of the chief difficulties which the Baltic States face. To overcome the fuel shortage the Latvian government is turning to its forests and peat beds, and has converted its locomotives into peat and wood burners. Experiments are also being made in several large factories with a mixture of peat and wood. New rolling stock for the railroads, both cars and engines, are badly needed, as are steel rails. For these the country is looking to America.

Before the war millions of feet of lumber came to Riga, the Lettish capital, from the great forests of the country. Riga was also the storehouse and port of export for large quantities of flax and hemp, wheat, barley, hides, tallow and leather. Its principal imports were cotton, metals, machinery, coal, and oil and these are the things it needs today. Its great railway repair shops are running on reduced schedule owing to the lack of fuel and raw materials, and the same thing applies to its machine shops. In the old days it was the second port on the Baltic, its principal harbor being at the mouth of the Duna, for only light craft can ascend the river to the city proper. One of Riga's most ambitious schemes is the canalization of the river to a depth permitting the ascent of deep water steamers.



A WOOD BURNING LOCOMOTIVE

Coal is scarce in the Balkan States, and many locomotives have been rebuilt to burn wood. Coal is used to get up steam, then wood is used for firing.

GERMAN VEGETABLE-FIBRE INDUSTRY

Remarkable results are being attained in Germany in the manufacture of yarn from grasses, plants, leaves, etc., according to a representative of the U. S. Department of Commerce in that country.

The largest plant engaged in that industry has for eight years been turning out products covering a wide range of vegetable fibres, including China grass, Australian seaweed, jute, old jute rags and shoddy worsted yarn. During the war fibres of nettle, hops, willow bark, pine needles, cornstalks, asparagus and others were worked up but the production of some of these has been discontinued because of their limited supply in Germany. The fibre from pine needles and cornstalks has been used in the paper mills to produce a tough paper.

The vegetable fibre derived from China grass is known as Solidonia. It looks very much like wool and mixes readily with it, thus opening a wide field for its use in the woolen industry. This fibre was introduced in the United States shortly before the outbreak of the war and was used by concerns manufacturing woolen goods and underwear, it having the virtue of preventing shrinking of the latter. In Germany Solidonia has been used in making (*Continued on page* 144)

Money, Banking and Business

The Worst Grain-Price Slump in History

What Caused It?—Efforts of the Farmers to Halt the Decline by Artificial Remedies—Canada's Huge Crop and Hasty Selling

By **H. L. NICOLET, Kansas City**

NEVER before in the history of organized grain markets have prices fallen so much within a similar period of time as in the last few months. From the high record of early summer wheat has declined $1.20 a bushel and corn has fallen about $1.25. Minor grains have declined proportionately. Wheat sold above $3 a bushel in Kansas City last June and it is now down around $1.80 for carload lots and 10 cents under that price for December delivery.

Carlots of corn sold close to $2 a bushel in June and they are now around 90 cents, while the December delivery price has fallen below 70 cents a bushel, compared with $1.57 at the end of June.

Farmers Aroused

These tremendous declines in the prices of grain have had the natural effect of arousing a spirit of intense dissatisfaction and resentment among farmers. More especially they have inspired activity among officials of various farm organizations throughout the country to advocate the withholding of grain from the market in the hope that the resultant scarcity at terminal centres might force a recovery in prices.

Numerous elaborate calculations have been put forth showing the cost of producing wheat. In Kansas 2,057 wheat growers reported actual expenses of the 1919 crop which made the average cost of production that year more than $2 a bushel. Estimates of the cost of this year's crop are still greater.

In Missouri the average estimated cost of producing and marketing the 1919 crop, as reported by the State Board of Agriculture, was $2.05 a bushel.

For the entire United States the average cost of producing the 1919 crop was $2.15 a bushel, according to a comprehensive report issued last June by the Department of Agriculture at Washington.

These figures are recalled to show that farmers have good reason for resentment over the great decline that has occurred in the market, whatever may be the economic reasons for the slump. If the cost figures are correct the average farmer, and those below the average, find themselves suddenly confronted with the distressing situation of having to do business at a loss.

No Compensating Drop in Retail Prices

Their position is still further aggravated by the fact that the retail prices of the goods they buy have not fallen in anything like the proportion of the fall in the products they sell. They have had several years of the greatest prosperity ever experienced, and the violent slump in prices has made a more notable reversal in their situation than in most other industries and trades.

It is true that wheat is now selling far above the average pre-war level. The average farm price of wheat for the entire country on December 1 of the four years ending with 1913 was 83 cents a bushel. The farm price today probably is close to double that price. But that comparison does not mitigate the disappointment of farmers who have witnessed a shrinkage of more than a dollar a bushel in the price of wheat in the past few months.

The chief abnormal factor in the great fall in wheat prices is the fact that at no time has there been any important accumulation at market centers. The visible supply at nineteen terminal markets and on the lakes November 6 was only 39 million bushels, compared with 96 million bushels a year ago, and nearly half of this year's supply is at seaboard points.

Chicago has less than a million bushels compared with 18½ million a year ago; Kansas City stocks are 2¼ million bushels compared with 14¼ million a year ago. In the northwest the situation is somewhat different, the two spring wheat markets, Minneapolis and Duluth, having about 11 million bushels, a little more than a year ago.

Moreover the exports of wheat from the United States in the first four months of this crop year have been extraordinarily large, amounting to about 132 million bushels, compared with 80 million bushels in the corresponding time last year.

This year's crop and carry-over amounted to 900 million bushels compared with 994 million bushels last year. The exportable surplus from the 1920 crop and carry-over does not exceed 230 million bushels even with a practical exhaustion of reserves next July and with 130 million shipped out of the country in four months and 100 million available for export in the next eight months, it does not look as if supplies would be burdensome at any time.

What Caused the Decline?

The statistics plainly show that for an explanation of the great decline one must look elsewhere than in the supply and demand situation in the United States.

The most immediate reason is to be found in a Canadian crop 100 million bushels larger than last year, and a somewhat inexplicable haste on the Canadians' part to sell their surplus. This has resulted in Canadian wheat underselling the United States crop ever since the movement started two months ago, not only for export but also for use of northern and eastern mills in this country. The result was the development of a very bearish sentiment among the large concerns that sell wheat to Europe and to the big mills. Along with this was the tight money situation, which made large handlers of wheat unwilling to carry any important accumulation; they sought a market as soon as they came into the possession of any wheat.

This attitude of large handlers of wheat gradually permeated the speculation trade and some of the leading commission houses in Chicago became radically bearish and induced customers to sell short in the futures market. Ever since the trade in wheat for future delivery was resumed in the middle of July speculators have been selling wheat for December delivery far below the cash prices. There has been no hedge selling of any importance at any time in the futures market for the obvious reasons that there has been no important accumulation of wheat to be hedged, and that the futures' have been so far below the cash prices that hedging for any prolonged period must inevitably be a losing transaction since the cash and futures prices must ultimately come together.

One of the complaints of the wheat growers is that the speculators are responsible for the great decline in wheat: hence the insistent demand for an investigation by the Federal Trade Commission which is now going on. There is a substantial basis for this complaint, because practically all the selling that has been done in the futures market represents either short selling or liquidation by holders of contracts who bought from short sellers.

Why Speculators Sold

It seems evident, however, that the heavy short selling of wheat was merely the speculators' accurate anticipation of coming wants; for wheat was bound to come down soon or late in the general deflation of high war prices that now is in progress. **Many commodities in which there is no organized speculation have had violent declines.** Wool was almost the first commodity to come under the influence of deflation from war prices. Hides were likewise affected: they are worth less than a third the prices prevailing a little more than a year ago. Raw rubber has fallen

(Continued on page 93)

Photo by Brown Bros.

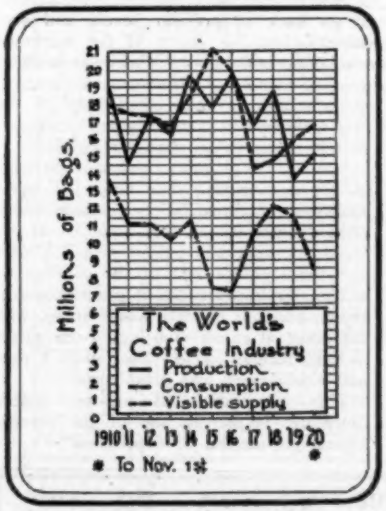
A Brazilian Coffee Market

Coffee Below Pre-War Prices

"Statistical" Position of This Commodity Suggests Higher Levels in Not Far Distant Future

***By* E. D. KING**

THE outstanding economic fact of the past year is the extraordinary sweep of deflation. No commodity has escaped. Least of all, coffee, with a decline of 75% to its credit. The enormous complexity of the economic situation makes it difficult to single out any one cause for the decline in this commodity. A



multitude of factors have contributed, each to a varying degree, but their cumulative effect has been irresistible.

The plain fact of the situation is that, where coffee sold for approximately 25 cents a pound in 1919, it can now be readily obtained at 8 cents or so a pound, and a month or so ago it sold as low as 6½ cents. Certainly, coffee has suffered exceedingly from the deflationary movement, perhaps more in proportion than any other foodstuff, and almost as much as any other commodity.

Broadly speaking, there are two reasons for the decline in coffee. One is the high cost of credit required to maintain commodities at the artificially high levels of a few months ago. The second is a sentimental consideration, and is intimately bound up with the natural psychology of the masses who, once sensing a downward trend, refuse to buy until they are sure that the possibility for securing goods at still lower prices has completely vanished. While coffee is a necessity, generally speaking, the world has shown that it can get along without even necessities, or, at least, that it can pare down its requirements to an absurdly low minimum. This is the situation today. Obviously it will take some time to rectify it.

Speaking of the statistical position of a commodity is quite like speaking of the book value of a stock. And just as the book values do not hold stocks up when the market declines precipitously, so the statistical position of a commodity, no matter how fundamentally sound it is, will not prevent the prices of that commodity from declining once the process of deflation commences to exert its full effect. Nevertheless, it is important to know the statistical position of coffee in order to be able to render an intelligent conclusion as to its future price.

No Over-production of Coffee

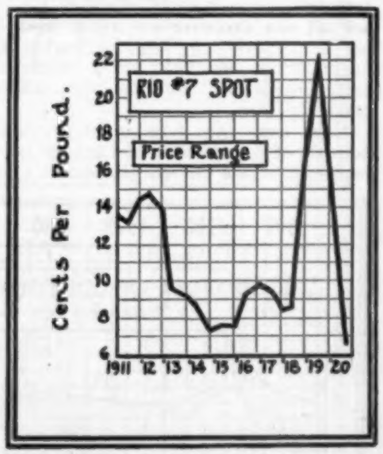
The unanimous opinion of authorities on the subject is that there is no excessive supply of coffee in any of the world's markets. The world's visible supply on November 1 was estimated at 8,300,000 bags, which compares with 11,500,000 for 1919; 12,250,000 for 1918, and 11,000,000 for 1917. In fact, the present visible supply is smaller than for any November since 1902.

If we glance at production figures, the impression that coffee gives of being in a fundamentally strong statistical position becomes even more vivid. Thus production for the 1919-1920 year was actually smaller than that for 1897-1898, notwithstanding that consumption has increased. In other words, the world's production of coffee during the past two decades has not increased except in occasional years. Coming down to more recent years, we find that production for the past year was the smallest since 1910-1911, with the single exception of 1918-1919.

Consumption Increasing

Consumption, on the other hand, has shown a yearly increase since 1916, notwithstanding that Germany, a very large consumer, was out of the market from 1914 to 1918. Had Germany consumed her normal amount in that period, consumption would have been much greater.

The end of the war has put Europe in a position to consume more coffee than she did during the war, and although this is hampered considerably by adverse exchange rates, the trend during the past three years indisputably points to greater European absorption of this commodity.



The United States, of course, is the biggest consumer and shows a comparatively steady yearly increase. This country alone consumes about 60% of the world's production. In gauging future increases in consumption power, the effect of Prohi-

(*Continued on page* 96)

Effects of General Liquidation

Minor Reaction in Bond Prices—Money Outlook Improving—Better Production—Dullness in General Trade Is Immediate Prospect

By G. C. SELDEN

THE month has been marked by a sharp fall in the prices of commodities and industrial stocks, a considerable reaction in the rails and also in their more speculative bonds, and a minor reaction in high grade bonds.

The effect of the last mentioned is seen on our graph "Index of Corporation Credit" on this page. The average interest return on these bonds, having dropped from 6% to about 5.3%, has now risen again to 5½%. It is not likely that it will rise above about 5.6%, as the broad trend of events is plainly favorable to better prices for securities of this class.

This trend is becoming plainer every day in the money market. Time money has been practically unobtainable, except for renewals, for some time past; but recently there have been moderate offerings and some loans have been made at 7¾% against 8% to 8¼% previously ruling. Borrowers are slow to tie themselves up in time money when cheaper call money seems certain ere long. It is not so much the call money rate of 6% recently touched, as the probability that even a lower rate will be reached after Jan. 1, that makes borrowers wary of time money at 8%.

Buyers of commercial paper at 8% are noticeably more numerous and a rate of 7¾% is occasionally quoted. But we hardly expect any quick fall in this rate.

There is nothing in the movement of industrial stocks to indicate early improvement in general trade. We expect, under present conditions, that the broad swing of industrial stock prices will turn about three months ahead of the turn in general business. This interval frequently extends to six months, but as manufacturers' and merchants' stocks of goods are not now excessive and public demand has been checked by hope of buying at lower prices, we look for a relatively early improvement in trade after stocks make the turn.

How soon this turn in stocks will come is, of course, uncertain, but the bear market has gone far enough, both in time and in extent of price decline, to warrant the expectation of a change of trend before very long.

The fall of commodity prices has been more precipitate than we had expected and will apparently go somewhat further, although the rate of decline will be slower. Commodity prices do not make an immediate right-about-face after so severe a break. A good deal of housecleaning will have to be done around Jan. 1, with the closing of the year's books, and failures will be larger, though not, in our opinion, heavy enough to threaten the financial structure. So far as can be judged from past experiences, commodity prices should become pretty well "stabilized" by Spring or early Summer.

U. S. Steel's unfilled orders will fall further, and there seems to be no immediate prospect of any important recovery in the price of copper, although it is now selling below cost of production of most mines.

The fact that the fall of commodity prices is due to better production, as well as to the "consumers' strike," is reflected in a heavier output of both pig iron and bituminous coal. Prices of both will doubtless decline further.

The sharp increase in our excess of exports over imports is largely due to a smaller demand for imported articles. The foreign situation is so mixed that it is impossible to forecast the immediate future of our foreign trade. We believe, however, that some of our exporters are, at the moment, more discouraged about it than the real outlook warrants.

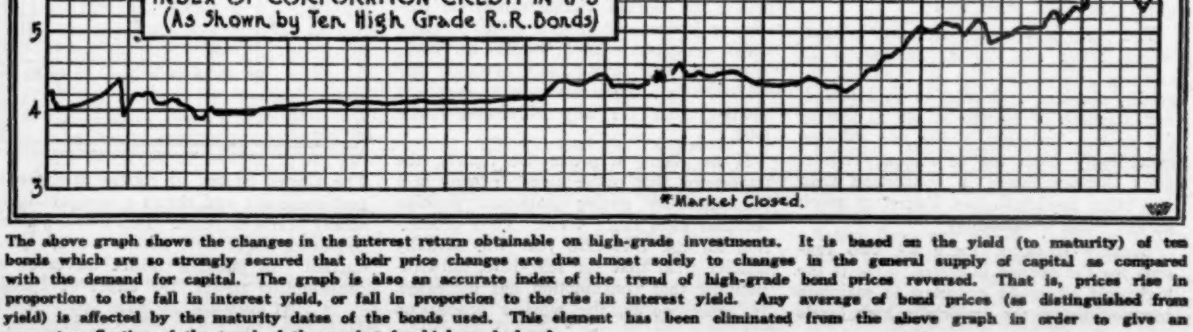
The story of American trade since the armistice is merely that of a gradual return to normal peace conditions. First we had a pause in demand, while buyers sought to adjust themselves to new conditions. Then the general scarcity of goods due to the diversion of our energies into war work, began to assert itself, and produced the natural effect of scarcity—high prices. But high prices at length checked demand and encouraged bigger production. Wage earners gradually recovered from the unsettling effect of the war and did more work. Once prices began to fall, everybody postponed buying in the expectation that they would fall further. But consumption goes on and buying cannot be postponed indefinitely.

The slogan "back to normal" means to many persons "back to pre-war prices." In this, however, they are likely to be disappointed. It will be remembered that in the Spring of 1919 many cherished a similar idea—that, since the war was over, there was no reason left why war prices should continue, and that we must therefore expect a decline. The event proved this idea to be all wrong.

Pre-war prices would necessarily mean pre-war wages, for wages and prices must move together when broadly considered. Prices, of course, must move first, but wages have to follow, because the value of any article is mostly composed of labor-cost. Coal in the ground, for example, is worth only a trifling amount per ton—in fact, it is worth nothing unless conveniently situated for transportation. The price of coal to the consumer is composed almost entirely of the wages paid to miners, railroad workmen, and coal-handlers at various points. It is clearly impossible for the price of coal to go back to pre-war levels and stay there, unless the wages of the workmen who mine and handle it also go back to pre-war levels. And when we come to manufactured articles, the value of the raw materials in their original location is so trifling as to be almost invisible.

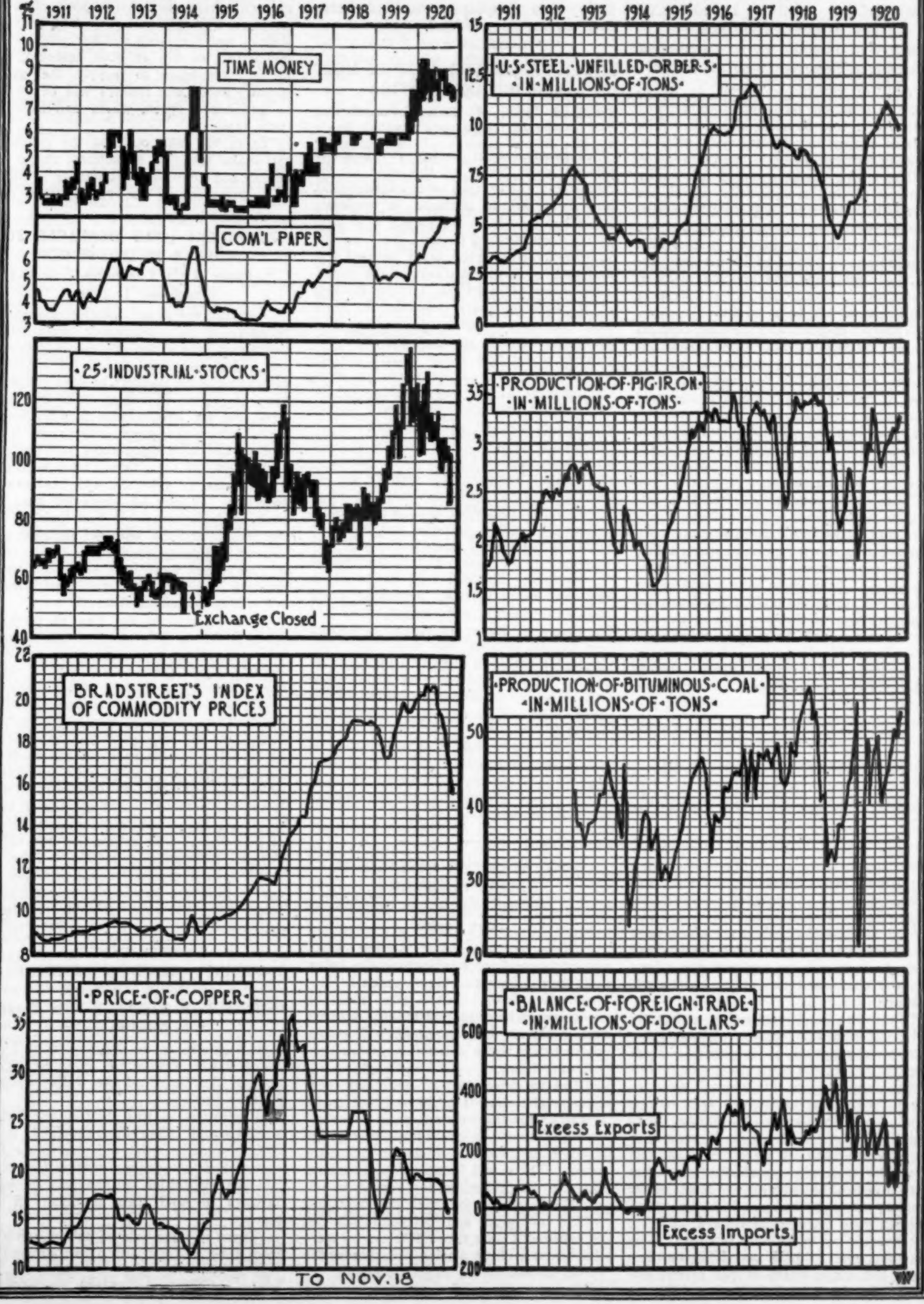
Moreover, our prices will not go back to pre-war levels while those of other countries remain so far above those levels. (See "Outlook" in this issue.) If we could conceive our prices as being only half those of the rest of the commercial world, our imports would practically disappear and our exports would jump, with the eventual result of bringing our prices up and foreign prices down until a normal equilibrium was established.

This expectation of pre-war prices, therefore, is merely one of the psychological phenomena of depression.



The above graph shows the changes in the interest return obtainable on high-grade investments. It is based on the yield (to maturity) of ten bonds which are so strongly secured that their price changes are due almost solely to changes in the general supply of capital as compared with the demand for capital. The graph is also an accurate index of the trend of high-grade bond prices reversed. That is, prices rise in proportion to the fall in interest yield, or fall in proportion to the rise in interest yield. Any average of bond prices (as distinguished from yield) is affected by the maturity dates of the bonds used. This element has been eliminated from the above graph in order to give an accurate reflection of the trend of the market for high-grade bonds.

THE TREND IN MONEY, PRICES AND PRODUCTION



Deflation Welcomed By Financial Leaders

Heads of Industry and Banking Interests See Nothing Alarming in Present Situation

COMMERCIAL WORLD IS SETTING ITS HOUSE IN ORDER

Archer Wall Douglas, U. S. Chamber of Commerce, Sees No Cause for Alarm

"Talk of stabilizing prices, so as to save the situation, no longer interests any one save a few hopeless theorists. The laws of supply and demand will, in time, regulate matters.

"The entire business world is steadily trending to that readjustment which we have talked about so long. We have been through it before, several times, and we will go through it again, and successfully. This time it is robbed of its greatest terror, financial panic and ensuing disaster. And through it all, the Federal Reserve Bank System will be a refuge.

"Theories of great and startling changes in the framework and organization of manufacturing life are dying out in view of the exigencies of the occasion as to how to maintain adequate production at reasonably remunerative prices. Industrial life, in time, will doubtless be more democratized than at present, but we are not headed in the direction of running factories by committees.

"The entire commercial world is setting its house in order by reducing commitments, collecting outstanding accounts, and bringing down stocks of merchandise to the requirements of reduced demand. And it is all being done soberly and advisedly. All are awaiting that psychological time, the first of the year, when the current of events and the general trend shall be more readily discerned and more easily interpreted. Meanwhile, much definite action is being postponed. Merchandise stocks in general will then be far less than for several years."

PRICE REACTIONS NO CAUSE FOR PESSIMISM

National City Bank Does Not Expect Protracted Depression

"Although the reactionary swing has gone farther than most people expected it to, there is no reason for extreme pessimism about it. Undoubtedly some prices have gone too low already. It is unreasonable to suppose that prices are going back at this time to pre-war levels, and where they do it is safe to say that the things are too cheap and can be bought to advantage.

"There are good reasons for confidently believing that this country is not going into a long period of depression. Such experiences in the past always have followed long periods of internal development, including extensive construction work, such as railroad building, town building, etc. Our periods of prosperity and credit expansion have been of this character, and it has usually happened that the movement has overrun the needs of the country at the time, and a period of growth was required afterward to bring the country up to its new facilities. This was the case in 1873 and 1893, the two most important crises of our recent history. In the period following 1893 recovery was delayed by the controversy over the money question."

LOWER PRICES WILL HELP US MEET FOREIGN COMPETITION

President Bush, of Bush Terminal Co., Takes Optimistic View

"A generation or so ago our business affairs were local to this side of the Atlantic. Today they are international, and if we are to continue to endlessly boost the prices of everything that goes into a manufactured product, the time will soon be reached when other nations will undersell us in the markets of the world. The preservation of our foreign markets is, if anything, more important to labor than it is to the owners of industry, and the important fact to every one, labor included, is not how many dollars are received at the end of the week, but what the contents of the pay envelope or the proceeds of the salary check will buy in the way of comfort and happiness.

"It is far better to keep the cost of comfort and happiness on a basis where it can be purchased in this country for no more than it can be bought abroad, for if we do not do this other nations will undersell us in foreign markets and both the labor and capital of this country will lose that part of their job which is represented by producing manufactured goods which are sold by us to the people of other countries. During the war the world laid its money on our counters and demanded our goods because we were the only producing nation in a position to supply its wants. This period has ended and trade will return to its normal condition, which means that we must compete for foreign business.

"While this period of adjustment is going on some people who have been skating on thin ice may get their feet wet. We will not have a panic in the old acceptance of that term."

TIME HERE FOR BUSINESS TO RETIRE PESSIMISTS

Gimbel Brothers Announces Intention to Start Buying

"Prices are not done coming down, though some lines have struck the cellar and must rebound a bit to reach a live-and-let-live basis. But a start must be made somewhere to re-establish business and confidence—the pessimist will create worse havoc if the optimist does not prevail over him.

"And we here start to retire the pessimist right now. Our buyers are in the markets placing orders for a normal spring business in such lines where the producer can feel safe in standardizing his prices. There will be no speculative buying, but the planning for spring is on, and Gimbels hope that their determination will be contagious and that confidence can be restored among manufacturers by merchants everywhere placing orders now for spring goods.

"Suppose the pessimist proves to be a majority party, then this is pretty sure to happen: Spring wants will find emptied shelves, and scurrying and hurrying to get goods for the big or little business, but in the aggregate to supply the great nation's need; and makers will be forced to unscientific speed, which will increase costs again.

"From the plan outlined the producer can make his own deductions, shape his course and show his willingness to name 1921 spring prices that he can stand by."

RETAILERS ONLY OBSTACLE TO ORDERLY READJUSTMENT

J. S. Bache & Co. Concludes Peak of Disturbance Is Past

"Viewing the great deflation movement broadly, it is remarkable with what orderly calmness the process is proceeding. The successive snocks of lowering prices; of some markets become suddenly bare of buyers in commodities like silk, wool and the like; of the deep gashes in confidence where great enterprises have had to fall back upon their bankers and be carried—all these things have been met by business, as a whole, with remarkable fortitude. It may be concluded that the peak of disturbance has been passed, for the present at least, with the situation still difficult and prospects that the failure crop will be reaped more fully after the first of the year. Things may then look worse, but will be actually better.

"The obstacle in the way of reviving trade is the retailer all over the country, who generally, in endeavor to avoid a smaller profit or even a loss, is stubbornly refusing to reduce prices commensurate with the wholesale reduction already made. This attitude is met by the resistance of the consumer, who knows that he is being overcharged on the basis of the wholesale price, and is everywhere curtailing his purchases, if possible. All this leaves the retailer loaded up, and in turn restricting his orders to the manufacturers, making for smaller production and close-downs. Substantial reductions by the retailer, even if gradual, would probably incur to him less loss in the end; because, some time, the whole structure of retail prices will otherwise break with a rush."

SOUTHERN RESERVE DISTRICT IN SOUND POSITION

Dallas Federal Bank Will "Get Through in Good Shape"

In response to an inquiry from Dow, Jones & Co., William F. Ramsey, chairman of the Board of the Dallas Federal Reserve Bank, said:

"Conditions in this district are intrinsically sound. Collections are fairly good, though somewhat delayed, due to the fact that there is no adequate market for cotton and the disposition on the part of many farmers to hold their products off the market.

"There is some sale of cotton going on from time to time, and a fair amount of liquidation. Deposits in most of the banks are increasing, though not with the

rush that ordinarily occurs where there is a ready market for a staple as it is gathered.

"There is in most sections of the State a rather better crop than usual, and even at present prices the crop will mean a very large amount of money. The low prices will spell some loss to many farmers, particularly in view of not only the high cost of producing the crop, but the rather extravagant expenditures they have been indulging in for some little while.

"There is some feeling of rebellion on the part of the farmers and raisers of livestock, in respect to prices, but I am hoping, and, indeed, am inclined to believe, on the whole, it may not be an unmixed evil. I am hoping it will bring about a greater and broader general economy on the part of all of our people and tend to develop a more robust self-reliance. I am preaching this doctrine everywhere to our people and not without some success.

"We have raised large grain crops throughout the district and should be able to get through without the large expenditures for feed and foodstuffs that we sometimes have to make. On the whole, while conditions might be better, they are all right, and the eleventh district will get through in good shape."

MOTOR INDUSTRY WILL REVIVE WITH A RUSH WHEN PRICES ARE STABILIZED

Standard Parts Co. Predicts New Buying Wave Next Spring

"The public having tasted of low prices through the reduction made by Ford and several others, expects more and is postponing its buying until it feels that minimum prices have been reached. There is also strong sentiment, which must not be disregarded, that the coming winter is going to be a very severe one for the industry. The thought is present in the mind of the public that the usual guarantees of employment are absent and the guarantee of stability of wages is very much lessened. This means a determination not to spend any more money than is absolutely necessary until stability is restored.

"The situation is not one which has been brought about by a saturation of the market—it is extraneous to this. The demand for automobiles exists in the minds of the public today as strongly as ever. Automobile riding is no fad that will give way. Curiously enough, the demand for motor trucks is greater than ever, but due to financial situation and necessity for caution at present, this desire is being held in abeyance.

"Our view of the situation warrants the belief that when these contributing causes are removed, the industry will come back with a sudden rush which may be fraught with danger unless we are prepared for it. As we see it, resumption of buying will take place and the depression will be over by about March, 1921. We have every reason to believe that the industry will pick up then and will continue for a number of years, not at its frenzied speed of 1919 and the early part of 1920, but on a more sound and profitable basis."

BRIGHT OUTLOOK FOR CARRIERS AND SHIPPING PUBLIC

S. A. Allen, B. & O. Asst. Freight Traffic Mgr., Says Better Understanding Exists.

"The outlook today for the carriers and for the shipping public is brighter and better than it has ever been before.

"After all, the railways are but the veins of the nation. If you seek to prevent a flow of blood in the veins of the nation, you dry up the body and bring about decay. The day of arrogance and autocracy in the railway world and on the part of railway executives and officers is gone forever. To it has succeded the dawn of a better day—the day of friendly, kindly feeling; the day of mutual forbearance and indulgence in the faults of the other; the day when we can get together and talk over our troubles in a friendly and sympathetic way and end them; the day when we can sit down and talk over claims and a satisfactory adjustment thereof, without the disposition on your part to eliminate the particular carrier until the time comes when he may be forced to settle the claim on your basis regardless of the equity, justice or merit of your claim. The day is here when you must realize that you, too, have a duty toward the carrier; that you must forbear with their shortcomings and realize that sometimes they face conditions which delay your traffic, cause you loss—all brought about by conditions beyond their control, and which no amount of human energy or foresight could prevent."

INVESTMENT FUNDS FREER FOR COMMODITY DROP

A. B. Leach Explains Constant Improvement in Our Money Market.

"We all seem to agree that when this liquidation of commodities passes through the wholesale trade and shows its effect on the retail trade, easier money should be in evidence. Perhaps we were a little impatient for the results of this liquidation to show themselves. However, the reaction must be well under way.

"It has surprised some people that the foreign exchanges do not seem to reach higher levels, but the explanation of this as given in the Government's recent reports is that our export balance is keeping up to a high proportion as compared with the imports. In other words, the foreign countries are buying substantial amounts of certain goods from us irrespective of the fact that they have to pay such a high price for a dollar's worth of goods in this country.

"The country's position therefore in money is growing stronger each day, even at this time—whereas after the armistice some of us had rather expected that foreign goods would be coming in in great volume. The easing of activity and lower prices in the business world which is now going on will unquestionably force additional substantial amounts of money into investment channels."

IMPORTANT CORRECTIVE INFLUENCES AT WORK

Cleveland Trust Co. Says Demand for Essential Goods Is Accumulating

"At the moment, attention is centered upon the spectacular features of deflation. But beneath the surface important corrective forces are at work. Economy is replacing extravagance. Labor efficiency is growing. Business men are returning to the established pre-war ideas of profit and activity. The purchasing power of the dollar is rising and a demand for essential goods is accumulating. These things, together with easier money, when it appears, should spell business recovery on a sober, natural basis."

CONGESTION CONFINED TO FEW SPECIAL LINES

Samuel M. Vauclain Says There Is Nothing Wrong with General Business

"There is nothing wrong with business generally, the congestion being largely confined to a few lines in which there has been over-production and where with unwise vision they prepared for the future in the belief that the people would continue to live on the basis they did during the two years of war. These lines figured that the mode of living would be the same, that the public would make the same expenditures for enjoyment and that their expense of living would be continued without interruption. All things are related, however, and we could not go on living in that style while other countries of the world were working for rehabilitation. With the celebration of the victory over and war excitement past, there has been a sobering of the people and the conservative element has become the dominant factor. The American people are clear-thinking and level-headed, and we are going to return to a more normal mode of living."

AMERICA IN SOUNDEST POSITION OF ALL NATIONS

Charles H. Sabin Calls It "Criminal" to Paint Black Picture

"There is so much in the present situation to inspire confidence and hope for the future that it is little short of criminal for any one to paint the picture so blackly, through either ignorance or intent, that these vital facts are obscured. To cite a few pertinent facts:

"This country will harvest this year one of the largest crops in its history; its transportation congestion has been relieved and its railroad system is for the first time in a decade on a sound financial and operating basis; we have passed through a national election and are assured four years of sane administration of public affairs; our banking system has withstood the greatest credit strain in its history and is on a sound and workable basis; the accumulated surplus of five years of splendid prosperity is stored in many ways for our continued use; the markets of the world demand our products and a great mercantile marine is prepared to transport them; this country has not been overbuilt or overextended in any of its underlying activities, and faces no program of readjustment along these lines such as usually precipitates panic conditions.

"We are in the soundest financial, industrial and political condition of any important nation in the world."

Railroads

Bonds and Stocks

Western Pacific Railroad Corp'n — ***Denver & Rio Grande RR. Co.***

Western Pacific Securities Still Look Cheap

Advances in These Issues Have Not Yet Discounted the Company's Increasingly Favorable Position—Old Bondholders Likely to Be Rewarded for Their Patience

By **CHARLES REMINGTON**

FOR nearly a year THE MAGAZINE OF WALL STREET has been recommending the purchase of Western Pacific preferred and common stocks, because these stocks represented former bond equity in a valuable railroad property for which a traffic need existed. The preferred was first recommended when it was paying 4% and selling around 55; the common when it was selling around 22. The first, which is now paying 6%, has advanced nearly 20 points, while the second has advanced more than 9 points. With a valuable stock dividend in sight, it is doubtful whether the two stocks, at 74 and 31, respectively, have fully discounted their possibilities.

The plan, which has been recommended by two protective committees of Denver & Rio Grande bondholders and accepted by Western Pacific, provides for a reorganization of the former and a capital readjustment of the latter. Table I shows the fixed assets and liabilities of Western Pacific under the plan.

The existing amounts of bonds and equipment trusts of the Western Pacific Railroad Company of California, the subsidary, will not be changed. The Western Pacific Railroad Corporation, the holding company, proposes to issue $10,000,000 ten-year 4% notes in exchange for a like amount of Denver & Rio Grande 7% adjustment bonds, which, together with the collateral amounting to $7,005,000 Denver & Rio Grande first and refunding 5s, will be cancelled.

In addition, Western Pacific will increase its preferred stock issue from $27,500,000 to $40,000,000, and its common stock issue from $47,500,000 to $60,000,000. The new stock will be distributed as a dividend to present holders of Western Pacific stocks, as follows: Every holder of 100 shares of preferred or common will receive 16⅔ shares of preferred and 16⅔ shares of common, the whole amounting to a 33⅓% dividend.

The common is paying no dividends and is not likely to do so for some time, so that Western Pacific's charges will be increased only to the extent of 6% on the additional $12,500,000 preferred, or $750,000 a year. This charge will be met in part by the $500,000 dividend on the stock of the Utah Fuel Company and in part by the difference between $400,000 interest on the new Western Pacific notes and the $700,000 dividend on the $10,000,000 Denver & Rio Grande 7% preferred stock, which Western Pacific proposes to acquire.

TABLE I

Western Pacific's assets and liabilities, other than current, under plan of readjustment:

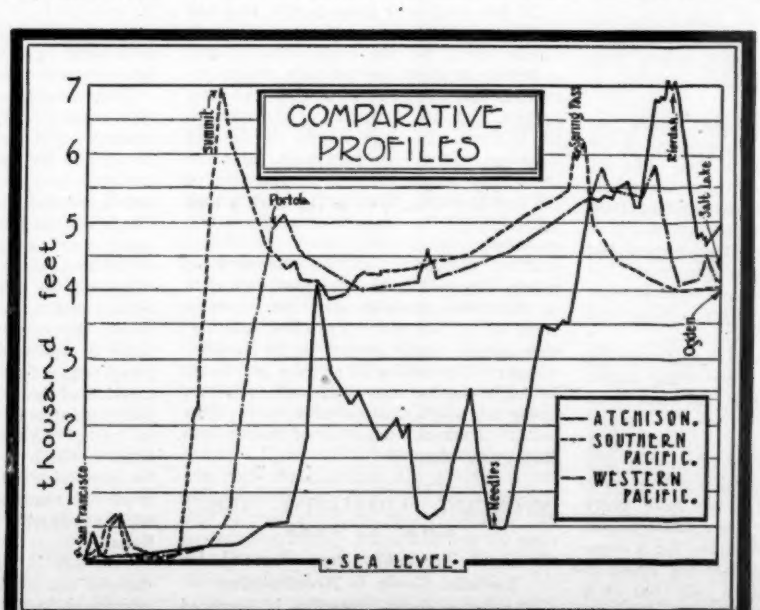
ASSETS	
Road & Equipment	$90,000,000
Cash (Trust funds)	10,000,000
Utah Fuel stock ($10,000,000 sub. to $6,000,000 lien)	4,000,000
D. & R. G. 7% preferred	10,000,000
D. & R. G. common	30,000,000
Total	$144,000,000
LIABILITIES	
First mort. 5% bonds	$20,000,000
Equipment trust 6s	3,000,000
Ten-year 4% notes	10,000,000
Preferred stock	40,000,000
Common stock	60,000,000
Total	$133,000,000

DENVER & RIO GRANDE

The plan for the reorganization of the Denver & Rio Grande makes no provision for the participation of either class of that company's stock. A protective committee has expressed its intention of contesting the legality of the judgment under which Denver will be sold, but as the property will pass through two other sales under foreclosure of mortgages the committee's attitude is unimportant.

The existing securities of the reorganized company that will not be disturbed are Denver & Rio Grande consolidated 4s and 4½s and the improvement 5s, and the Rio Grande Western 4s of 1939 and of 1949. The Rio Grande Junction bonds are not a direct obligation of Denver & Rio Grande, but the charges will be met as heretofore. Under the foreclosure sales Denver & Rio Grande will be relieved of the guaranty on the bonds of Rio Grande Southern, which has never been a profitable property.

The existing $31,500,000 Denver & Rio Grande first and refunding 5s will be cancelled and holders thereof will receive in exchange of 50% of a new 5% mortgage bond and 50% of new 7% cumulative preferred stock. The new 5% bonds will be issued under a closed mortgage, which, however, will provide for the creation of another mortgage, prior thereto and open for future financing and refunding. It is not intended immediately to issue any bonds under the prior lien mortgage, as present cash requirements will be met by Western Pacific, but it is deemed necessary to have a good, bankable mortgage for refunding maturities, the first of



which is the $8,335,000 improvement 5s due in 1928.

In addition to the foregoing existing securities and the new securities, Denver & Rio Grande will issue to Western Pacific holding company $30,000,000 common stock, of which $20,000,000 will represent the equity in Denver's railroad property and $10,000,000 the cash to be supplied by Western Pacific. This cash, by the way, is not derived from Western Pacific's trust funds, but was realized in various ways from the sale of Denver's free assets.

Against the new capital liabilities of Denver & Rio Grande shown in Table II, the present value of the road and equipment is estimated at $140,000,000, while the deficiency of $10,000,000 will be supplied by the money to be turned over by Western Pacific.

charges very heavy in that month, so that September net results make a showing much below normal.

After making proper allowances both ways—that is, additions to Western Pacific's September net and deductions from Denver & Rio Grande's—it is estimated that the consolidated properties under the new rates will show immediately a net operating income of $12,000,000. With contemplated extensions to Western Pacific and betterments to Denver & Rio Grande, for both of which funds are in hand, the joint earning power, on the same basis, will shortly be increased to $15,000,000. An analysis of income under both rates and as applied to the new capital liabilities will be found in Table III. Dividends on $10,000,000 7% preferred, which would be a charge of Denver and income to Western Pacific, have been eliminated.

TABLE II

Denver & Rio Grande's capital liabilities and charges under plan of reorganization.

Principal		Interest
$64,395,000 4s	Existing securities undisturbed	$2,576,800
6,382,000 4½s	Existing securities undisturbed	288,190
8,335,000 5s	Existing securities undisturbed	416,750
$79,112,000		$3,281,740
$15,750,000 5s	New securities distributable to public	$787,500
15,750,000 7% pfd	New securities distributable to public	1,102,500
$31,500,000		$1,890,000
$10,000,000 7% pfd	New securities distributable to W. P.	$700,000
$94,862,000	Total bonds and interest	$4,068,740
25,750,000	Total pfd. stock and dividends	1,902,500
30,000,000	Common issuable to Western Pacific	
$150,612,000	Total sec., int. and div.	$5,971,240

Joint Earning Power

In September Denver & Rio Grande reported a net operating income of $1,121,644 and Western Pacific $402,215, or a total of $1,523,859. Weighted for seasonal fluctuations of traffic, this would be at the annual rate of about $15,000,000 for the consolidated properties, but it is doubtful whether the figures can be accepted as typical. While both roads, in common with all others, failed to receive the full benefit of the rate increase in September, the two occupied very different positions with respect to maintenance in that month.

Denver & Rio Grande accepted and Western Pacific rejected the Government guaranty for the six months beginning March 1. Denver, in common with roads in a similar position, made every possible effort to extinguish the deferred maintenance that had accumulated during the twenty-six months of Federal operation, with the result that such allowances were cut down in September. Thus, that month cannot be taken as an index of a long period, and it is certain that Denver would show much less than $11,000,000 net operating income for a full year.

Western Pacific, having rejected the guaranty, was unconcerned about the month in which maintenance charges fell. All the other roads operating across the Sierra Nevadas had accepted the guaranty and they gave employment to every available maintenance laborer for the six months following March 1. Thus, Western Pacific could not obtain labor without offering excessive wages, and decided to wait until September when competitive roads discharged many such workers. This made Western Pacific's maintenance

WESTERN PACIFIC'S ADVANTAGES

Although the road cost more than estimated, the chief trouble of the old Western Pacific arose from the fact that it was ahead of its time, but the remarkable development of the Sacramento and San Joaquin valleys in the last few years has done much to cure this defect in the company's situation. Another development of a different kind is likely to add further to the traffic needs of California. With the utilization in refining of all the combustible parts of crude oil, there is likely to be a heavy movement of coal into the State from various Rocky Mountain regions.

When Federal operation began Western Pacific had under way or planned the construction of various feeders, which would greatly have increased its traffic. All these were interrupted by order of the Director General, although funds were in hand for the work. Some of these plans will probably be permanently abandoned, but others will be carried out, and their completion will add to the company's traffic.

It is generally admitted by railroad men that Western Pacific, given the business, is the cheapest road to operate across the Sierra, and no cheaper can be built, because all the practicable passes are now being utilized.

The maximum grade on the Western Pacific is 1% and on the Central Pacific, now controlled by Southern Pacific, 2.2%. The actual mileage of Western Pacific from San Francisco to Salt Lake City is 927, while the actual mileage of Central Pacific, which Union Pacific hopes to get under the consolidation plans of the Commerce Commission, is 871. Difference in grades, however, makes the equated mileage for a 2,000-ton train 947 miles for west-bound traffic on Western Pacific and 1,039 miles on Central Pacific. On east-bound traffic, the equated mileage of Western Pacific is 1,096, and of Central Pacific 1,403. Thus, Western Pacific makes a saving of 92 miles on west-bound traffic and a saving of 307 miles on east-bound traffic. The profiles of the three roads crossing the Sierra Nevadas from California are shown in the diagram accompanying this article.

From the foregoing figures, the advantages of Western Pacific are obvious, once the road is assured of sufficient traffic to justify the company's investment.

The weakness in the plan to consolidate Western Pacific and Denver & Rio Grande lies in the difference that exists between their grades, curves and general profiles. While the former would make one of the best links in a transcontinental system, the later would make one of the worst. Various expedients have been suggested, such as the completion of the Denver & Salt Lake road to connect with Western Pacific, but they are a long ways from fulfilment. On the other hand, Denver & Rio Grande, as a local system of originating a large tonnage, can be made a very profitable property. Under existing plans, however, the consolidated properties, due to Denver's difficult profile and circuitous route, can never offer serious competition to the Overland Lines.

TABLE III

Estimated joint income account under the plan of readjustment (intercorporate items eliminated)

		Present	After Effect of New Money
Net operating income		$12,000,000	$15,000,000
D. & R. G. rentals, int., etc.		150,000	150,000
W. P. int., rentals, etc.		400,000	400,000
Utah Fuel div.		500,000	500,000
Gross income		$13,050,000	$16,050,000
Charges—			
D. & R. G. int.	$4,068,740		
W. P. int.	1,616,000		
D. & R. G. rentals, etc.	400,000		
W. P. rentals, etc	150,000	6,234,740	6,234,740
Net income		$6,815,260	$9,815,260
D. & R. G. 7% cum. pfd. div.		1,102,500	1,102,500
		$5,712,760	$8,712,760
W. P. non-cum. 6% pfd. div.		2,400,000	2,400,000
Net for W. P. common		$3,312,760	$6,312,760
Per share on 600,000 shares		$5.50	$10.50

After a careful weighing of all the factors, I have assumed that Western Pacific preferred should be selling as an in-

(*Continued on page* 129)

Will Atchison Follow Southern Pacific's Oil Policy?

Reasons for Segregating Oil Lands as True of One Road as of the Other—Atchison Controls Over 66,000 Acres in Productive Fields

By **DANA HYDE**

EVERY factor that operated to induce the directors of Southern Pacific to segregate that company's oil land holdings exists in the case of Atchison, Topeka & Santa Fe. The prospect that California petroleum will become too valuable to burn as fuel, public sentiment against railroad engaging in commercial enterprises, the desirability of detaching outside properties lest the stockholders' interests become diluted by consolidations and the necessity of the Commerce Commission fixing rates that will provide a reasonable return on the railroad property in use regardless of the cost of fuel—all these factors exist in one case as well as in the other.

There has been no official intimation that Atchison would segregate its oil land holdings, but it is not an unreasonable assumption that the directors will recognize the existence of the factors that moved the board of Southern Pacific to reach its recent conclusion.

Atchison, like Southern Pacific, would be able to earn a large margin over its 6% dividend without recourse to income from petroleum sources. In 1919 Atchison earned at the rate of $16.55 a share on its common stock, compared with $9.98 a share in 1918. Income accounts for both years contain lapover items and their elimination would change the figures to $16.22 for 1919 and $11.75 for 1918.

The two latter figures comprise the true showing and the difference in the two years is accounted for by the fact that in 1919 the company took up the accumulated surplus earnings of its oil subsidiaries. For instance, "other income" in 1919 was $15,100,116, compared with $4,310,952 in 1918, an increase of $10,789,164. There is nothing to indicate the period of time during which this surplus had been accumulating, but from other data it is not difficult to estimate the earning power of the company's oil holdings.

Atchison, through various subsidiaries, owns 7,445 acres of oil lands and leases 14,823.93 acres, a total of 22,268.93. Of this, 5,655 acres are owned and 11,101.41 leased in California, and 1,790 acres are owned and 3,722.52 leased in Oklahoma.

No figures of production are available since 1917, but in that year the California lands produced 3,954,097 barrels and the Oklahoma lands 876,348 barrels, or a total of 4,830,445 barrels. Up to that time the combined holdings since their acquisition by Atchison had produced 45,027,544 barrels. At present there are more than 500 producing wells on the properties.

Petroleum Subsidiaries

The Chanslor-Canfield Midway Oil Company—the most important oil holding—is capitalized for $5,000,000, all of which stock is owned by the Santa Fe Land Improvement Company, an Atchison subsidiary. The properties lie in the Midway field of Kern and San Luis Obispo counties.

ATCHISON'S OIL LAND ACREAGE

Field	Owned	Leased	Total
Midway	4,000	9,088.41	13,088.41
Kern	1,335	2,013	3,348
Olinda	320	.....	320
California	5,655	11,101.41	16,756.41
Healdton	.....	2,872.52	2,872.52
Wheeler	1,790	850	2,640
Oklahoma	1,790	3,722.52	5,512.52
Calif. & Okla.	7,445	14,823.93	22,268.93

The Santa Fe Land Improvement Company also owns all the capital stock of the Petroleum Development Company, amounting to $125,000. In addition to lands owned and leased in Kern County, Petroleum Development Company also operates in the Olinda field of Orange County oil lands, owned by the Pacific Land Improvement Company, another Atchison subsidiary. All of Atchison's oil business in California is handled through these various subsidiaries.

Although there are no financial relations between the two companies, the commercial relations of Atchison with the General Petroleum Corporation are much the same as those of Southern Pacific with Associated Oil. Under a contract with General Petroleum, Atchison delivers all its refinable crude, and receives in exchange barrel for barrel of fuel, plus a bonus of fuel varying with the gravity of the crude delivered. This bonus ranges from 75,000 to 100,000 barrels a year.

The Coline Oil Company, all of whose $175,000 stock is owned by Atchison, operates in the Healdton and Wheeler fields, in Carter and Jefferson counties, Oklahoma. All the Healdton property is held under lease from the Department of the Interior, and the entire production, being too light for fuel, is sold for refining.

Atchison lines received in 1917, 10,966,024 barels of fuel, of which 4,132,803 were produced or received by bonus, making the ratio of production to consumption about 38%. From the total production of 4,830,445 barrels, 776,348 were too light to be included as fuel and came from the Healdton field.

The 22,268.93 acres listed in the table herewith do not include large holdings in California and Arizona, untested at present, but holding some promise for the future. Of the listed lands, about 1,700 acres in the Midway field, regarded as good oil land, are undeveloped. Of the Healdton lease, about 2,100 acres are non-productive, 500 acres are susceptible of development and 200 acres are producing. Atchison owns acreage in several of the fields that is not classed as oil land, and there are no indications at this time to justify development. The California State Mining Bureau, whose classifications are very conservative, credits Atchison with owning or controlling about 4,500 acres of proven land in that state.

The future value and earning power of these properties is as uncertain as that of all similar properties. Most of the lands in California were assembled for

THE WORLD-FAMED RAINBOW BRIDGE
This natural bridge along the Santa Fe Railway is the largest in the world. It is 309 feet high with a span of 279 feet.

Atchison years ago by Mr. E. L. Doheny, whose knowledge of the subject is unsurpassed. Inasmuch as the lands were selected and not obtained by grant, it can be assumed that, acre for acre, they are better than Southern Pacific's, although the aggregate holdings are much less in extent.

As oil land is valued in California, Atchison's proven acreage alone in that state would be worth $45,000,000. At the present price of oil, the 5,000,000 barrel production of Atchison should return a net income of $5,000,000.

Southern Pacific, through its control of Associated, is in a more favorable position than Atchison to obtain immediately the larger profits that can be derived from commercial operations in petroleum as distinguished from production. At present Atchison is equipped only to carry on a producing enterprise. Thus, the oil lands would have to be sold outright or operated only for their production. In either case, the larger commercial profits would be forfeited, just as they have been in the past.

Considered, however, as the properties stand at present, their capitalized earning power should be worth $50,000,000 on a 10% basis and $25,000,000 on a 20% basis. This would be, respectively, more than $20 or more than $10 a share as applied to Atchison's common stock.

Up to this time, Atchison stock has done nothing to discount the possibility of a segregation of these properties. On the other hand, it would not be safe to predict such a segregation, which can only be assumed as a reasonable possibility.

But Atchison common, apart from the company's oil holdings and regarded solely on its equity in the transportation property, is easily worth 85 in this market. Around that price, I have no hesitancy in recommending it as an investment, while the first intimation of a coming segregation of the oil lands would add at least ten points to the market value.—vol. 27, p. 22.

Remaining Railroads Report Results of September Operations

A Great Variety of Showings Made in Different Regions and Between Different Individual Carriers

By **EDWARD GILMAN**

SEPTEMBER railroad earnings, as far as they had been reported at the time of going to press, were analyzed in the preceding issue of THE MAGAZINE OF WALL STREET. Since then most of the remaining roads of importance have reported for that month. The statements, which will be considered in detail, are not different as a whole from those discussed in the former article. The roads in the aggregate should have reported for September a net operating income of $109,000,000 in order to have earned the month's proper ratio of 6% annually on their joint valuations, whereas they will actually show less than $80,000,000.

Boston & Maine, the only important New England road that had not previously reported, makes an even worse showing than New Haven. Gross was $8,903,195 compared with $7,140,558 for September, 1919. The increase, which was nearly 40%, fully reflects the rate advance. From the fact that passenger fares were increased only 20%, it is likely that Boston & Maine, to show such a gain in gross, handled considerably more business. Balance after taxes, however, was only $279,906, compared with $1,107,974 saved from the smaller net in September, 1919. The net operating deficit was $129,882 compared with a net operating income of $1,091,646 in the corresponding month of the preceding year. The debit hire of equipment was large and indicates a severe state of congestion. Maintenance allowances were large and a little curtailment in this department would easily have turned the deficit into an income. The showing, however, was sufficiently bad to justify the statement that this company, in common with other New England roads, requires further relief.—Vol. 25, p. 540.

Lehigh Valley, in the Central District of the Eastern Region, reported a gross of $7,051,143, compared with $6,076,055, a gain of less than 20%. This has been explained as having been due to the anthracite strike. On such a gross revenue a good net showing could hardly be expected. Operating income was only $343,777, or at the annual rate of about $3,400,000 compared with Federal compensation of $11,318,714. On the basis of other income as reported for 1919, September would be at the rate of about 65% of fixed charges.

New York, Ontario & Western, another coal road, was probably affected by the strike. Gross was $1,229,224 compared with $953,330. Net operating income of $125,359 would be at the annual rate of $1,200,000, compared with rental of $2,103,589. The September showing was at the approximate rate of fixed charges.

PENNSYLVANIA SYSTEM

Pennsylvania Railroad Lines proper made a rather better showing than the system. The lines of the parent company reported a gross of $58,521,090 compared with $47,788,997, a gain of more than 20%. There remained for net only $4,066,610, but even this would have left a nominal return on the stock, had it not been for the bad showing of Pittsburgh, Cincinnati, Chicago & St. Louis, from which Pennsylvania has been receiving 4% in dividends. September gross of Panhandle was $9,750,228, a gain of less than $700,000, which indicates a serious loss in tonnage. Net operating deficit for the month was $375,430. Maintenance was not heavy on either part of the system. Considered jointly, with intercorporate items eliminated, Pennsylvania Lines and Panhandle just about covered their charges on the basis of September.—Vol. 26, p. 683.

Long Island Railroad, another Pennsylvania subsidiary, made an unexpectedly good showing. September net was $502,265, or about 60% in excess of rental.

Wheeling & Lake Erie showed very favorable returns. Its gross was $2,019,172 compared with $1,237,697, a gain of more than 60%, from which it may be concluded that there was a large increase in tonnage. Net operating income of $309,699 would be at the annual rate of about $3,000,000 compared with rental of $1,723,315. On the basis of September adjusted for seasonal fluctuations of traffic the road earned at the rate of 10% on the first preferred stock, on which 28% has accumulated.—Vol. 24, p. 1007.

Wabash succeeded in increasing its gross from $4,634,277 to $6,328,898, a full reflection of the rate increase. Net operating income was $517,632, or approximately September's proportion of a full year's rental. The indicated rate would be about $3 on the preferred "A" stock.—vol. 24, p. 1110.

Illinois Central was the only road in the Southern Region to make a satisfactory showing. Its gross of $14,120,780 compared with $9,840,095, a gain of more than 40%. Net operating income of $2,122,813 was at the annual rate of about $20,000,000, compared with rental of $17,896,467. September net was at the rate of $13 a share on the capital stock.—vol. 26, p. 248.

CENTRAL WESTERN REGION

Colorado & Southern System reported a net operating income of $738,000, or at the annual rate of about $7,250,000, compared with rental of $4,372,598. Including Colorado & Southern's interest in the surplus of Fort Worth & Denver City and eliminating intercorporate items, September was at the rate of about $15 a share on the common stock.—vol. 26, p. 607.

Union Pacific System's September gross of $21,842,334 compared with $18,094,529 in the preceding year, a gain that fully reflected the rate increase. Net operating income of $5,591,954 was at the annual rate of about $54,000,000, compared with rental of $39,369,411. September, therefore, was at the rate of more than $20 a share on the common stock.—vol. 24, p. 1007.

Chicago & Northwestern did exceptionally well. Its gross increased from $14,504,392 in 1919 to $16,940,078, while its net was $3,244,950. This would be at the annual rate of about $31,000,000 compared with rental of $23,201,016. On the

(*Continued on page* 113)

Industrials

Bonds and Stocks

Time Now to Comb Over Industrial Bonds

Why They Should Soon Have Their Turn in the Rising Bond Market—Principles on Which Issues Should Be Selected — A Few Which Deserve Consideration

By **WILLIAM T. CONNORS**

FOR various reasons, long-term industrial bonds have been neglected by investors for some years. In view of the generally good earnings of industrial companies, most of these bonds have been well protected by income available for them, so that those who held them had no reason to sell unless they needed money or thought they could shift their holdings to advantage.

On the other hand, buyers have not been strongly attracted to these issues. They have not shown the high yields that could be obtained from many of the rails and public utilities. Liberty and other government bonds, domestic and foreign, have absorbed a great deal of capital, and high money rates have discouraged investors from placing their funds in securities which were so closely dependent upon the money market as the best of the industrial bonds always are. And buyers of a more speculative turn of mind have preferred to put their money into stocks, where price changes of some sort, at any rate, could be expected.

Conditions Have Changed

The close of 1920, however, brings important changes in the conditions affecting this class of securities.

First, money rates, so long a handicap, have reached or passed their worst point, and a reversal of their trend is expected in 1921.

Second, industrial stocks and highly speculative stocks generally are likely to be less attractive in the saner markets of peace, and especially during the next six months, when the country's trade conditions will be relatively quiet, compared with its war and post-war activity.

Third, opportunities to buy good railroad bonds at very high yields are now less numerous and it is not probable that they will return. There will still be chances in this field, with the varying fortunes and plans of the roads, but more of them will be in the stocks and fewer of them in bonds.

Fourth, and perhaps most important, the fall of commodity prices from their former dizzy heights, while in reality a bull factor as affecting high grade industrial bonds, has so far had a sentimental effect toward discouraging the investor from buying them.

The last point perhaps needs a little more explanation. Declining commodity prices naturally have an adverse effect upon the company which produces the commodity. Its wages and costs do not fall as quickly as its selling prices. Hence its earnings are smaller, and the effect on its stock is decidedly bearish.

Our first thought might be that such conditions would have an adverse effect on all the securities of the company, but if all investors were strictly logical, this would not be true. If the earnings available for a bond are so large that the interest is sure to be earned regardless of any industrial depression that may reasonably be considered possible, there is no reason why falling earnings should depress the price of that bond, regardless of what they may do to other securities of the same company which are less strongly protected.

OPPORTUNITIES IN GOOD INDUSTRIAL BONDS.

Bonds in each group are arranged in the order of the writer's view of their desirability at current prices.

	Recent Price	Yield to Maturity
Group 1—High Grade:		
Computing-Tabulating-Recording 6s, 1941	82	7.7%
Wilson & Co., 1st 6s, 1941	87	7.2
Bush Terminal, 1st 5s, 1960	73½	7.2
Bethlehem Steel Co., 1st & ref. 5s, 1942	77½	7.0
U. S. Rubber 1st & ref. 5s, 1947	77	6.9
Colo. Fuel & Iron gen. 5s, 1943	78	7.0
Amer. Smelting & Refining 1st 5s, 1947	76	7.0
Group 2—Second Grade:		
Midvale Steel, s. f. convertible 5s, 1936	76	7.7
Chile Copper convertible 6s, 1932	71	10.2
Colo. Industrial 1st 5s, 1934	68	9.0
International Mercantile Marine 1st & col. 6s, 1941	80	8.0

Some investors, however, do not have a complete understanding of this point, and others are in doubt as to whether the industrial bonds they hold are really of such assured high grade as to be independent of their company's earnings. Still others may be heavily committed in both industrial stocks and bonds and may be compelled to sell their bonds in order to meet losses on their stocks.

The result is that in a falling market for industrial stocks most industrial bonds fall also, even including those whose bedrock of value, in the sense of purchasing power, has really been increased by the decline in commodity prices, and which might therefore more logically rise than fall.

Industrial Bonds Cheap

The bear market in industrial stocks has now lasted for a year, and commodity prices have been falling for more than nine months. Without attempting to predict just when the prices of stocks will reverse their trend it is clear that liquidation in them must now be far advanced; and if so, the prices of good industrial bonds should be at a level favorable for making selections. In fact, since January generally brings easier money markets, it would not be surprising if industrial bonds were about as low as they are likely to fall.

Liberty and railroad bonds are already on the up grade. Industrial bonds will certainly follow, and it seems to me probable that they are about ready to begin the movement.

In selecting industrial bonds we shall of course have to consider the usual three prime points of security, marketability and yield. A bond is secure, first, because protected by ample earnings and, second, because it has adequate assets behind it in case unexpected difficulties should compel the liquidation of the company. A bond is most readily marketable when it is frequently quoted on a stock exchange, and when the bid and offered prices are as a rule not very far apart. And in the matter of yield, the best yield to maturity that can be obtained from safe, marketable bonds is naturally the most desirable.

At the present time it is also best to choose bonds having a distant maturity. Bonds in general have been falling for years, and it looks now as though this long-pull tendency would be reversed and we shall enter upon a long period of slowly rising bond prices. If so, bonds having distant maturities will benefit much more than bonds which are going to be paid off within a few years.

In the table herewith I have selected a number of industrial bonds affording yields of 7% or more, and have arranged them in two groups, each group in the order of desirabiilty according to my judgment of the various factors involved.

COMPUTING-TABULATING-RECORDING 1ST 6s, 1941. Company's total interest charges for all bonds were earned 2.2 times in 1914, gradually rising to 6.7 times in 1919. Tangible assets are at least double the amount of these honds, probably more than double. Company's business is growing steadily and its methods are conservative.

WILSON & CO., 1ST 6s, 1941. All interest charges earned 2.2 times in 1919, a relatively unprofitable year. These bonds are a first mortgage (subject to small real estate mortgages) on practically all the company's property, estimated at more than three times the amount of the bonds. The company has had a highly successful history.

BUSH TERMINAL BUILDING 1ST 5s, 1960. A first mortgage on all the property of

this company, estimated worth at least 50% above all mortgages, and guaranteed principal and interest by endorsement by Bush Terminal Co., the parent company. Earnings of Bush Terminal Buildings Co. have been from 1.5 to 1.9 times interest charges and are very stable. Parent company has usually earned about double its fixed charges. The real estate behind these bonds is not likely to depreciate and earnings fluctuate but little.

BETHLEHEM STEEL CO. 1ST AND REF. 5s, 1942. All interest charges earned 2.6 times in 1918 and 1919 for Bethlehem Steel Corporation, which guarantees these bonds by endorsement. This guaranty is secured by pledge with trustee of capital stocks of subsidiary companies. Mortgage lien is adequate, though preceded by about $18,000,000 prior liens.

U. S. RUBBER 1ST AND REF. 5s, 1947. All of company's interest charges have usually been earned 4 to 6 times. These bonds are well secured by assets.

COLO. FUEL & IRON GEN. 5s, 1943. All interest charges usually earned 1⅛ to 2 times. Only about $5,000,000 outstanding and secured by first mortgage on company's entire property, giving them a very strong asset position.

AMER. SMELTING & REFINING 1ST 5s, 1947. All interest earned 6.4 times in 1918 and 4.7 times in 1919. Abundantly secured by property and collateral. Would be placed higher on this list except for uncertainties of Mexican government, but are reasonably well protected even without the company's Mexican properties.

In Group 2 I have included four bonds which I would hardly be willing to rate as of the highest grade. They are more of the type usually called business men's bonds.

MIDVALE STEEL SINKING FUND CONVERTIBLE 5s, 1936. These are debentures of the Midvale Co. and are secured by deposit of all the capital stock of its subsidiary, Cambria Steel Co. Cambria averaged about 8% earned on this stock before the war, had big war earnings, and earned 10% in 1919. Midvale earned its bond interest 6.8 times in 1919. Some uncertainty as to what Midvale can do under peace conditions leads me to place this bond in the second group. The convertible privilege is into ten shares of stock ($50 par) for $1,000 of bonds, and has no value at current prices.

CHILE COPPER CONVERTIBLE 6s, 1932. There are big assets behind these bonds. but in 1919 interest charges and taxes were not fully earned; in 1918 earned more than twice. Chile is a development proposition so far and is believed to have good prospects. The high yield shows that investors are a little wary about these bonds, but they are a good business man's risk at the yield now shown. Convertible privilege will have no early value.

COLO. INDUSTRIAL 1ST 5s, 1943. First mortgage on all this company's property; also on property of Colo. Fuel & Iron Co., subject to about $6,000,000 prior liens, and on some collateral. This gives the bond strong asset backing. For earnings, see Colo. Fuel 5s above.

INTERNATIONAL MERCANTILE MARINE 1ST AND COL. 6s, 1941. Interest charges of this company were barely earned before the war, but have been earned 4 to 6 times since 1915. Assets, based on cost of properties, are more than five times all bonds. Even granting considerable depreciation, the bonds are well secured. Future earnings are uncertain, but the bonds is a reasonable business man's risk.

THE WORST GRAIN-PRICE SLUMP IN HISTORY

(Continued from page 82)

below pre-war prices. Raw sugar has fallen to less than a third its high record price of the year. In the light of these declines it seems evident that the speculators who started selling December wheat when future trading was resumed last July around $2.70 to $2.75 a bushel, were simply anticipating the inevitable.

The big corn crop and the consequent greater fall in corn is another important factor in the decline in wheat. The corn crop, and the carry-over from the 1919 harvest is 3,341 million bushels, the largest on record, and 352 million bushels more than the crop and carry-over a year ago.

In this market as well as in wheat speculators anticipated events with short sales. There has been no burdensome supply of actual corn on the market at any time except for a few weeks in September when the movement swelled to rather large proportions. At the present time the movement from the farms is down almost to a scarcity and carlots are worth 20 cents more than December contracts, with the first December delivery day less than 3 weeks away.

Farmers' Efforts Are Futile

The futility of efforts of leaders of farm organizations to boost prices by widespread propaganda for withholding supplies from the market has been shown again this year as many times in the past. A smaller proportion of the wheat crop has been marketed by farmers this year than in any previous year up to this time. This is due more to car shortage than to actual refusal of farmers to sell, but its effect has been the same, namely to keep supplies in terminal markets relatively small; but it has not prevented a great decline in prices.

As for the world's situation in the wheat market, the best authorities agree that there will be ample wheat for all probable needs provided the Argentine, Australian and Indian crops maintain their present promise. Argentine has a prospect for as large a crop as last year, and that country has exported nearly 200 million bushels since the beginning of the present calendar year, which coincides with the crop year of that southern hemisphere country. India and Australia also have a promise of liberal surpluses. These three southern hemisphere countries will begin shipping wheat about the time the big Canadian movement lets up, and therefore the farmers of the United States will continue to meet with keen competition in foreign markets if no damage befalls these countries. They have their largest wheat movement between January and July.

Broomhall estimates that importing countries will require about 560 million bushels of wheat in addition to their home crops this year, and that exporting countries will be able to ship 580 million, and possibly 640 million bushels. The surplus in the United States for the year is 230 million bushels; Canada 200 million bushels: and the balance of 130 million can easily be obtained from the southern hemisphere countries that harvest their wheat early in 1921, with some scattering shipments from Manchuria, the Danubian countries, and, possibly, Russia.

With the increasing credit strain on Europe, reflected in the abnormally low foreign exchange rates, and the poverty of large numbers of people in Europe, it is safe to say that foreign countries will continue to make the best possible bargains in buying their breadstuffs supplies.

PACIFIC COAST BUSINESS GOOD

Vice-President Calkins, Chi., M. and St. P. R. R., Says No Fault Is Found with Tariffs.

"Lumber has been hit heavily in the deflation process but I look for this and other lines to pick up shortly, as soon as the uncertainty regarding future prices and building plans shall have become certainties.

"As for rates, shippers generally find no fault with the advanced tariffs in themselves. All recognize that the railroads required the advances. The only objection is to the percentage of increases in tariffs of the Western as against the Eastern roads. To illustrate, apple growers in the Wenatchie country we will say paid a rate of $1.25 per 100 pounds to New York. This was increased 33 1/3% or 41 cents, which made the rate $1.67. The Michigan apple grower paid 60 cents per 100 pounds to ship to New York. His increase in rates was 40%, which added 24 cents to the rate, making his figure 84 cents per 100 pounds. In other words, under the old rates there was a difference of 65 cents in the rate from Wenatchie to New York and from Michigan to New York, while under the new tariffs the difference is 91 cents."

STEEL CORPORATION WILL NOT REDUCE PRICES

Judge Gary Calls Price Stability the Need of the Hour

"Our subsidiary companies have consistently and uninterruptedly maintained the base selling prices of all iron and steel commodities which were mutually fixed by representatives of the iron and steel interests of the United States and representatives of the Government March 21, 1919.

"Since that time producing costs of all manufacturers of iron and steel (including an advancement of wage rates aggregating $61,000,000 per year to the Steel Corporation; and larger freight rates) have materially increased. Under usual circumstances we would be justified in making additions to the average base prices.

"However, after deliberate and careful consideration, we have decided to recommend to the presidents of our subsidiary companies that the present base selling prices of all commodities continue in force unless and until it becomes necessary and proper to make changes to meet altered conditions.

"We think stability in business is of the highest importance and that every man is obligated to assist in stabilizing and maintaining prices on a fair and sane level."

Photos. by Brown Bros. **Shipways of the Submarine Boat Corporation's plant at Port Newark**

Submarine Boat Corporation

Submarine Boat's Interesting "Contingent Assets"

Claims Against the Government, Royalties on Work Done, and Possible Value of Port Newark Yard Present Matter for Considerable Speculation

By **ARTHUR W. CLAYTON**

THE recent listing of Submarine Boat's shares on the New York Stock Exchange has aroused new interest in the corporation. Originally classed as a "war-bride" and still considered as such by many people, certain developments have taken place which indicate that the company not only is firmly established and here to stay, but that its new commercial activities promise to be of considerable importance. Before discussing them, however, it may be well to refer briefly to the corporate structure in order to arrive at a clearer conception of the diversified character of the company.

Submarine Boat Corporation itself is a holding and operating company with a capitalization of 800,000 shares of no par value, 765,810 of which are outstanding. There is no preferred stock or bonds, although the company has notes outstanding, as explained later in detail. Its manufacturing facilities have been devoted to the construction of 5,000-ton deadweight standardized steel cargo vessels for the Government during and after the war on leased ground and plant facilities at Port Newark, New Jersey. Its stockholdings in active corporations consist of $7,659,200 of the $7,672,100 outstanding stock of the Electric Boat Corporation, $9,300 of the $10,000 stock of the Transmarine Corporation and $49,300 of the $50,000 outstanding stock of the Atlantic Port Railway.

Its subsidiary, the Electric Boat Corporation, owns a little less than one-half of the outstanding stock (contrasting with a majority interest in 1917) of the New London Ship & Engine Company, with $2,160,400 of stock issued; also all the outstanding stocks of the National Torpedo Company, Electro Dynamic Company and American Duralumin Company, as well as stock in a few inactive corporations.

From the foregoing it will be noted that Submarine Boat's earnings, aside from its own shipbuilding operations, are derived from dividends paid by various subsidiary companies. Consequently, to better understand the interesting status of the holding company the activities and prospects of the operating companies may well be considered.

The Port Newark Terminal

Submarine Boat's plant at Port Newark, which was built for Government account at a cost of around $15,000,000, occupies about 130 acres fronting on Newark Bay and is extremely well located for shipbuilding operations as well as for a foreign freight terminal.

In consideration of the company's agreement to accept cancellation of 32 remaining cargo vessels on the Government's contract for 150 and settlement of this contract, including adjustment of profits, Submarine Boat leased the yard from the United States Shipping Board Emergency Fleet Corporation for a term ending November 15, 1922, at the following rentals (the first of which already has been paid): $1,500,000 up to December 31, 1919, $1,000,000 for 1920, $750,000 for 1921 and $750,000 for November 15, 1922, with the option to purchase the property at that time. Although official figures are not available, it was reported that the option price is approximately $5,000,000. It also was agreed that the company could purchase materials on hand and bought for the remaining 32 vessels at a price said to approximate fifty cents on the dollar, and complete the ships for its own account. In payment, the company issued four promissory notes amounting to $6,332,670.72 payable in annual instalments beginning December 31, 1920. The result of this deal was that the company converted its Government profits into cargo ships which it has proceeded to finish the thirty-two vessels for its own account and, when completed, should possess a value of at least $25,000,000. A large part of this amount will represent labor costs expended by the company, but it is understood to have enough working capital to finish the vessels without resorting to any public financing.

What also seems important is the low price option to buy the Port Newark Yard, etc., whose principal future value is going to be as a new seaboard terminal and warehouse site for freight shipped to and received from foreign countries. Direct connection is had by the Atlantic Port Railway Company (owned by Submarine Boat) with the Pennsylvania Railroad, Central Railroad of New Jersey and Lehigh Valley Railroad. In addition, barges operating from Buffalo, N. Y., Harbor, via the Hudson River and New York State Barge Canal, deliver freight received from Great Lakes steamers direct to Port Newark. Freight is unloaded from the car direct to ocean steamers at the Port, thus avoiding lighterage and the frequent delays caused by congestion at other New York terminals. The shipping advantages, therefore, are obvious.

Another point of interest in the development of the Port is lent by the election of a member of J. P. Morgan & Company to Submarine Boat's board of directors a short time ago. It is well known that the Morgan firm has organized certain companies to participate in international trade, aside from the banking end, and it seems reasonable to suppose that this house may have more than a casual interest in the terminal and warehouse facilities of the Port.

The new Federal Merchant Marine Act, which greatly favors American shipping interests, provides in effect, among other things, that taxes otherwise payable to the Government may be exempted if the money is set aside for the construction of new ships. According to this provision, it would seem that whatever war profits and excess profits taxes Submarine Boat ordinarily would pay the Government can be applied against the cost of its ships, including the notes issued for materials, thereby lowering the actual cost per ton to the corporation without a corresponding decrease in the value.

The Transmarine Corporation

A subidiary known as the Transmarine Corporation was formed to operate the vessels built by Submarine Boat. Nine of the thirty-two vessels referred to are in operation, seven plying between Havana, Cuba and Port Newark, one between Port Newark and Brazilian ports, and another (service inaugurated on November 15) between South Pacific

Coast ports and Port Newark via the Panama Canal. The company also is operating eight 400-ton steel barges between Buffalo and Port Newark in connection with the handling of freight from points on the Great Lakes.

While earnings for a time may not amount to much on ocean traffic owing to

THE PORT NEWARK TERMINAL

Built for Government account, this 130 acre plant cost $15,000,000

the status of foreign exchange, possible reduction in ocean rates and the general industrial situation, yet these conditions are liable to be more or less temporary. Aided by the new Merchant Marine Act, the company is in position to develop increasing earning power and the interests on Submarine Boat's board evidently can, if desired, influence the routing of considerable traffic.

The Electric Boat Corporation

This company owns or controls the Holland patents (regarded as basic) for the construction of submarine boats. So unassailable are these patents that in 1912, it is said, a German court rendered a decision in favor of the company against infringement by the Krupps. Electric Boat also owns or controls other valuable patents and recently won a decision in connection with its so-called "Davison patent," which involves payment of royalties aggregating a large amount. Electric Boat has had and still has plenty of work on hand. While it claimed that little or no actual profits were made in 1918 and 1919, owing to the accepting of contracts on a fixed price basis in the face of operating costs that increased beyond expectations, yet as many of these advances were urged by the Government, the company admits that it undoubtedly will realize a sum from the Government sufficient in amount to fully compensate it for the work performed.

In addition, Electric Boat has filed claims with the State Department for the collection of royalties from foreign governments which used the company's patents for the construction of submarines during the war. As interest likely will be included, these claims are apt to constitute a contingent asset of some value.

Another contingent asset is represented by 11,900,000 roubles (normal value $6,069,000), which were deposited in banks by the former Russian Government in payment of material delivered to it by Electric Boat. It was stipulated at the time that this money must remain in Russia for the duration of the war. On account of developments since, the company has written down this item to $1, and although the general opinion is that this asset cannot be realized upon until roubles recover their pre-war value of 51 cents, yet as the Russian Government stipulated that the money must remain in that country the matter may resolve itself into a full amount claim against the Russian Government. If so, this contingent asset may await the stabilization of government in Russia rather than the recovery of roubles. While both seem remote at present, the chances favor an established government in Russia before roubles sell at 51 cents again.

As for the future of the submarine business, it would seem that the experience of the war demonstrated the remarkable efficiency of these boats and that the Federal Government at the expense even of a subsidy would be warranted in maintaining the establishment of such plants. Another point is involved in the future policy of the Navy Department, which instead of spending enormous sums for the purchase and maintenance of expensive battleships, may decide to appropriate more money for submarines. The cost would be much less and, so far as defensive purposes are concerned, this type of craft would be ideal considering the long shore lines of the United States.

Other Subsidiaries

Until recently, it was not generally known that Electric Boat owned all the stock of the American Duralumin Company which was incorporated in 1911 to take over from the parent corporation an exclusive license to manufacture and sell in the United States a metal called Duralumin, the alloy of aluminum, which is the product of a German invention. Duralumin is said to possess the lightness in weight of aluminum with exceedingly great tensile strength and evidently is going to be used extensively in the aircraft, motor and other industries. During the war a German "metal" plane was brought down in London and upon examination the metal proved to be Duralumin. Since then the metal has been used in aircraft work, the "all metal" plane which recently crossed the country being composed of this material. The big plane now being built in England for the United States and another large one under construction by the Navy Department on this side have Duralumin in their specifications. Experimental work with automo-

RIVETING HATCH PLATES

While it is alleged that inexperienced men were often employed in Government work, hundreds of skilled riveters were also on the job

bile bodies is being carried on and other commercial uses for the metal will probably be found. The patents referred to were seized by the Alien Property Custodian and transferred to the Chemical Foundation, Inc., which now grants licenses for the manufacture and sale of Duralumin in the United States, one of the prominent users being the Aluminum Company of America. Under its agreement with the Chemical Foundation, Inc., the American Duralumin Company received a share of the royalty of not less than one-half cent per pound for all Duralumin manufactured and sold in this country. The extension of this important business offers another source of revenue for the Electric Boat Corporation.

Electric Boat also owns all the stock of the National Torpedo Company. This concern does not operate a plant, but owns basic patents on torpedoes and appliances which are manufactured under license for the Navy Department, the company receiving its income from royalties on the business.

The Electro-Dynamic Company also is owned by Electric Boat. The company's plant adjoins the land of the Electric Boat Company at Bayonne, New Jersey, and produces a line of so-called "interpole direct current motors and generators from ½ to 750 horse-power and a complete line of alternating current motors." This business is growing and certain development work also has been done which is expected to also prove profitable.

Probably the most valuable subsidiary of Electric Boat is the New London Ship & Engine Company, which owns extensive property and plants at Groton, Connecticut, with a deep water frontage of more than half a mile on the Thames River, opposite New London. The company has an excellent reputation for its products, which include heavy oil engines, Diesel type, from 250 to 1,000 horse-power, air compressors, periscopes and various other equipment for submarine boats used by the United States and foreign governments. Experiments have been carried on for some time in the development of large Diesel engines for the operation of cargo vessels and it is said the company's engineers have finally turned out a product equalling, if not excelling, similar engines of foreign design which have been noted for their high efficiency and low operating costs. This end of the business therefore suggests some interesting profit possibilities. Dividends have been paid only on the preferred stock of the company, surplus earnings having been turned back into the business, but in view of the present status of experimental work, it is believed this drain on the company's resources is about ended and that dividends will be paid next year on the common stock, of which Electric Boat holds a large block.

Financial

On December 31, 1919, Submarine Boat had cash, bonds, etc., on hand amounting to about $15 a share. Most of the company's assets have been of a liquid nature, but in view of the adjustment of its contract for cargo ships this year, it is evident that fixed assets have since shown a great increase. Owing to the manner in which the company's annual reports have been drawn during the last several years, it is difficult to determine just what the "per share" values are or what actually has been earned. For example, the company does not state how many shares of common and preferred stock the Electric Boat Company owns in the New London Ship & Engine Company; neither does it show amount of taxes payable. It has set up a reserve amounting to over $7 a share known as "Reserve for War Requirements Cancelled, Loss and Depreciation of Materials, Plant Rental, Contingencies, etc." As it is popularly supposed that contractors on war work seldom lost any money for the reasons assigned, this item does not seem justifiable, but as the various charges are not segregated, one cannot hazard any more than a guess as to how much they represent.

Conclusion

The most important feature seems to be contained in the various "contingent assets" of the company. These include accrued royalties on submarine boats, claims against the Government for increased costs of labor and materials, accrued royalties on torpedoes, value over cost of the thirty-two cargo vessels to be completed, probable value of the Port Newark Yard in case the company exercises its option to purchase, roubles involved in the Russian contract, etc.

So long as the United States and other governments maintain a navy it is apparent that certain subsidiaries of Submarine Boat will continue active and the development of an American Merchant Marine favors shipping operations, although to what extent the company can meet foreign competition remains to be seen. It has tied up its Government contract profits in ships of earning power yet to be demonstrated. The writer has attempted only to direct attention to Submarine Boat's various activities, from now on rather than figuring the possible value of the shares. Sufficient to say that dividends of $1 a share are being paid. Based on the present price of the stock (around $10), the return is about 10%, with reasonable assurances of the current dividend rates being continued and possibly increased by "extras" when the general industrial situation improves. Dividends amounting to $6 a share per annum have been paid in the past, the high market record of the stock being $57 in 1915. While this figure or dividend rate may never be reached again, the shares possess attractive speculative prospects at current prices, if purchased outright and laid away for a year or two —and one should not have to wait for another war in order to secure very satisfactory profits through market appreciation over present-day quotations.—vol. 24, p. 524.

COFFEE BELOW PRE-WAR PRICES

(Concluded from page 83)

bition as a stimulus toward increased coffee-drinking should be taken into consideration. Also the normal increase in population would seem to point to heavier consumption, coffee substitutes to the conerary notwithstanding.

Present Trade Situation Not Very Strong

While the above is of an optimistic tenor, so far as long range possibilities are concerned, it is nevertheless true that the trade situation in coffee is unfavorable today. Trade interests are holding off from purchases, although Europe shows a recent tendency to buy despite the adverse exchange situation. The past few months have shown a decided falling off in demand, and imports into this country from Brazil recently have been quite small. The trade is virtually buying from hand to mouth and is endeavoring to work off supplies bought at higher prices.

Yet the fact that visible supplies in this country only total 2,000,000 bags, a relatively moderate amount, suggests that it will take no great period of time to work off a good part of the surplus, and that importers, therefore, will probably have to recommence activities soon. In fact, the feeling in the trade is that purchases from Brazil will be in increasing volume from now on.

Prices Below Production Costs

It is a fair inference that the price of coffee is now at or below the cost of production. This is suggested by the fact that the price of the commodity is practically the same as for 1914, notwithstanding that labor and other costs have advanced considerably. Labor in Brazil is very expensive and is even difficult to obtain, owing to the fact that the immigrant laborers prefer to take advantage of the free lands offered them by the Government, rather than work for wages for big landowners. Unless there is further immigration into Brazil this situation is likely to become worse rather than better.

Naturally the producers have been hard hit by the difficulties now besetting them. The Brazilian Government has taken cognizance of the situation and is endeavoring to grant financial assistance. For this purpose, a loan from this country is proposed, but in lieu of this the Brazilian Government will issue new currency, which will bring about greater inflation, but which will nevertheless have the desired effect so far as the coffee interests are concerned. Either step will undoubtedly go far toward stabilizing the present erratic market.

The present deflationary tendency will have to run its full course before real improvement can set in. It is well to remember, however, that coffee has been a long time in deflating. In fact, it was one of the first commodities to start the downward movement. It might be reasonable to assume that it will be among the first to emerge from the depressing influences of today. I feel convinced, regarding the situation broadly, that coffee has about seen the worst and that its next important price movement will be upward.

Photo by Brown Bros. **General Electric Company's Plant at Schenectady, N. Y.**

General Electric Company *Intl. General Electric Co.*

General Electric Ready for World-Trade Drive

International General Electric Company, New Subsidiary, Expanding Into Many Foreign Countries—Huge Scope of Domestic Electric Business

By **E. KILBURN SCOTT, Consulting Engineer**

THE great electrical concern which has made the name of Schenectady known all over the world, controls companies bearing the title "General Electric" in the Argentine, Australia, Brazil, Canada, Cuba, Mexico and South Africa. In addition there are General Electric companies in Great Britain, Germany, and Sweden, the largest electrical concerns in these countries. These latter have no connection with the Schenectady concern, however, beyond a working arrangement with the British company for exchange of improvements, patents and manufacturing methods.

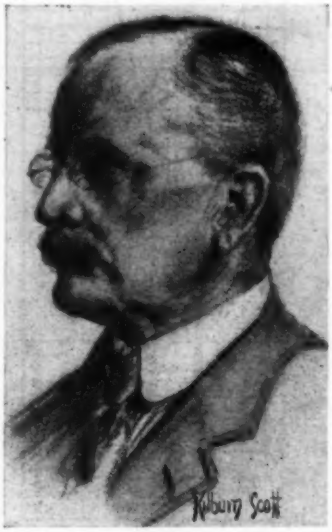
In order to take better care of the overseas trade, the Schenectady company formed in January, 1919, a separate concern called the International General Electric Company, Inc., subscribing the entire capital stock of $10,000,000 of 7% preferred at $100 par and $10,000,000 of common stock at $110. This sum of $21,000,000 was fully paid in January, 1919, by the General Electric Company, which sold to the International General Electric Company securities and accounts of like value.

A handsome building seven stories high and 26 windows long has been built at Schenectady to accommodate the staff of the International General Electric. The business will be largely of a financial nature, because the new company intends to foster trade by financing large engineering propositions in all parts of the world.

The International General Electric Company now owns the selling companies in the Argentine, Australia, Brazil, Cuba, Mexico and South Africa and two concerns in Japan, the Tokio Electric Company and Shibaura Engineering Works. It also owns large interests in the Canadian General Electric Company and the French Thompson-Houston Company and through the latter the Société d'Electricité et de Mechanique in Belgium.

There are, in addition, well-established business associations with W. R. Grace of Bolivia, Chile, Ecuador and Peru; with Wesselkoeft and Poor of Colombia and Venezuela; with Anderson Meyer and Co. of China; the National Electrical and Engineering Company of New Zealand; N. V. Phillips of Holland and with a Russian Company.

The principal officers of the new company are: Chairman of Board of Directors, Mr. Charles Neave of the firm of Fish, Richards and Neave, corporation lawyers, New York City; President, Mr. Gerard Swope, formerly Vice-President and General Sales Manager of the Western Electric Co.; Vice-President, Mr. M. A. Oudin, formerly Manager of the Foreign Department of the General Electric Co.; Secretary and Treasurer, Mr. P. M. Haight, formerly of the Sprague Electric Works.



L. R. EMMET

ONE of the great men of the General Electric Co. whom the public knows little about. In the early days of steam turbine practice he was responsible for the bold and yet safe designing which caused that form of prime mover to displace large steam engines in electric power houses. He has also done the principal engineering in the application of steam turbines and electric driving to U. S. battleships. At the present time he is working on a combination mercury boiler and turbine with steam boiler condenser for the mercury vapor.

The commercial operations of the company are handled by three territorial departments.

Important Orders from Brazil

The International General Electric Company has already received some very important orders, one being the electrification of the Paulista Railway Co. of Brazil. The contract for the first section is over $2,000,000 and calls for 12 single-phase electric locomotives, electric catenary equipment for 44 kilometres (28 miles) of double track between Jundiahy and Campinas and a 45,000-kilowatt sub-station. This will be completed by July, 1921, and plans are now being completed for the next section west of Jundiahy. A third section will connect Campinas with the city of Sao Paula, a distance of 90 miles.

The International General Electric Company has also received an order from the state of Santa Catherina, Brazil, for the construction of an electric railroad. The first contract of $2,500,000 provides for 45 miles of 44,000 volts transmission line and a 2,000 horsepower hydro-electric power house. The second contract will call for an extension of this railway for 115 miles and the total amount involved is expected to be $4,750,000.

Another railway contract is the Harshey Electric Industrial Railway in Cuba, the price of which is $750,000.

The French Thompson-Houston Company is making large extensions to its works at Saint Ouen, near Paris, and the same concern has also taken over the works of Carels Frères of Belgium, where Diesel and other engines have been built for many years. This company is known as the Société d'Electricité et de Mechanique.

Electrical business in India is handled by British Thompson-Houston Co., but the International General Electric Company has an office in Calcutta. It also maintains an office in Shanghai and operates an electric lamp factory in that city, but the selling business in China is partly taken care of by the firm of Anderson

Meyer and Co. Business in Dutch East Indies is handled through an International General Electric Company's office at Saralaia.

The Recent Conferences

Recently representatives from all parts of the world have been meeting the staff of the General Elec. Co. and the International G. E. Co. at Schenectady and Pittsfield. These foreign representatives are from 20 different countries.

During the first week of the conference the organization and policies of the General Electric Co. and of the International G. E. Co. were explained. In the second week papers were read by expert engineers detailing various applications of electricity to heavy industrial work. A third week was spent considering the domestic uses of electricity and the best ways of facilitating sales of small apparatus. The various works were also visited as well as installations and power houses where G. E. Co. apparatus is in use.

The formation of this International Company and the holding of conferences with so many representatives from overseas marks an epoch in the history of the G. E. Co. The company has, of course, been doing business abroad for many years, but this is its first deliberate scheme to become international in character and obtain a larger share of the world's electrical engineering business. As a result of the conference, the company's electrical developments in the future will be on a gigantic scale and will tax the energy and ability of the officers.

The G. E. Co. Business

Since 1916, the electrical business of the G. E. Co., itself, has been excellent and orders for the first six months ot 1920 ran at the rate of close to $7,500,000 a week. In the past four months, however, there has been a drop with the selling departments exerting themselves to keep all departments busy.

During 1919-20, orders for electric railway equipment have been large. About 40% of the orders for railway motors were from abroad. These motors are now being built in a modern factory at Erie, Pennsylvania, where it is possible to turn out 300 a week, ranging from 25 h.p. to 200 h.p. each. They are built and tested complete in one shop, which avoids transport of parts.

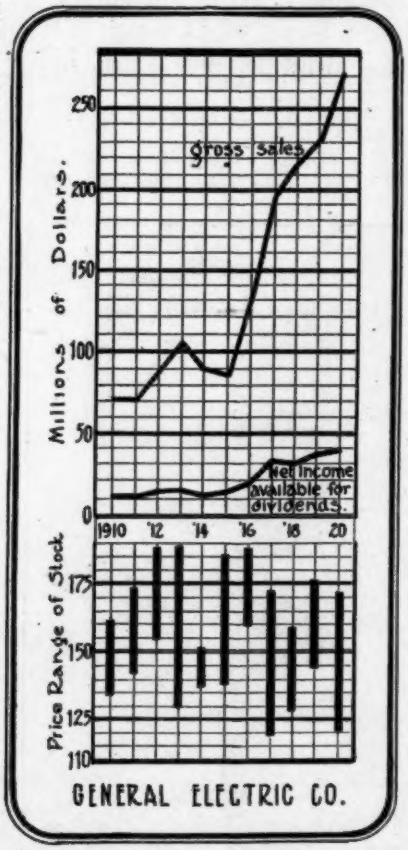
There has been a considerable demand for the "one-man operated safety car," for city traction. It weighs 8 tons and is replacing the large city cars that weigh about 20 tons. Its advantages are: Less cost of the equipment; less cost in operating due to only one man's being employed; less electric power, and less maintenance.

About 4,200 of these cars have been sold in U. S. A. during the past 3 years and a number have also been sent to Canada, Cuba, Mexico, South America, New Zealand, Spain and Holland. The Brill Car Co. and several other car builders make the cars and fit them with G. E. Co. motors and controllers. The Westinghouse Electric Co. is the only competitor in this electric railway business and builds about one-third of the equipments.

Now that the Government has turned back the railroads to private owners and allowed a substantial increase in rates, the railroad companies should be able to obtain money for electrification of roads, particularly those in mountainous districts where water power is available all the year round. It has been authoritatively stated that the steam railroad must spend about $500,000,000 during the next 5 years in order to bring the rolling stock cars and tracks into good shape and in much needed electrification of terminals, to cope with traffic congestion.

Electric Drive for Vessels

Eight years ago the U. S. Government conceived the idea of equipping three sister ships, the *Neptune, Jupiter* and *Cyclops* so as to test out the electric drive. The electric drive of the *Neptune* was furnished by the G. E. Co., and consisted of a turbo generator delivering current to a motor that was placed directly on the propeller shaft. The *Jupiter* had a reciprocating engine coupled direct to propeller and the *Cyclops* had a mechanical gear drive between prime mover and propeller.



Careful records kept of the operation of these three vessels proved conclusively the superiority of the electric drive. Indeed, the success was so marked that the Government decided to adopt electric driving for all war vessels.

As a result, contracts were given to the G. E. Co. for electrical equipment for 6 battleships and 4 battle cruisers. The battle cruisers are the largest built and each will have an equipment of 4—3500 KVA turbo-generators driving 8—22000 h.p. motors with two motors on each propeller shaft. The cruisers must develop a speed of 38 miles an hour on emergency, but for ordinary work, will run 16 knots an hour. The price for each electric equipment is $3,500,000, and the auxiliary gear consisting of motors for operating turrets, guns, hatches and searchlights, etc., costs another $500,000 per vessel.

During the last year, the G. E. Co. have sold equipments for 13 vessels for passenger and cargo service, each vessel having a 3000 h.p. synchronous motor attached to the propeller. One boat is a semi-passenger vessel and is in service between New York and Cuba. All these boats will be in operation by the early part of next year.

This application of electric power to cargo boats is interesting because the usual attitude of ship owners has been to "Let George do it." Now that it has been done successfully, there should be a considerable number of orders when the efficient results of working cargo boats by electricity become publicly known. The advantages of this method are: Lesser weights: less space occupied and, therefore, more room for cargo; reduced cost of coal fuel or oil fuel; marked improvement in the ease of operation.

The International G. E. Co. reports recent inquiries from England for electric equipment for passenger boats, and also an inquiry from Japan for the equipment of a war vessel.

Electrification of Steel Mills

Steel-making plants have been operated for many years by electric power. Indeed, the success of the U. S. Steel Corporation and other large steel concerns, has been due in large measure to the wholesale adoption of electric power; at the same time it is estimated that about half of the existing mills have yet to be changed to the electric drive. The large steel corporation of the United States has already planned developments which will cost over $50 millions, of which about $5 millions represents the electric equipment. In this connection, it is interesting to note that at the present time, there is in the General Electric Company shops at Schenectady a complete electric equipment for the new steel rolling mills of the famous Tata Company in British India.

Steel making requires very heavy service from the motors, switch-gear transformers, etc., and therefore renewals are heavy. These renewals represent about 25% of the business of the power and mining department the total for which averages $70,000,000 per annum. It is very profitable business because renewals must increasingly be obtained from the firm which supplied the original plant.

Electric furnaces continue to be installed in large numbers and by reason of the attention given to details and the robustness of General Electric Company's apparatus, a large amount of electrical equipment for operating various types of electric furnaces is built in Schenectady and Pittsfield.

The research department has also spent much time in perfecting *induction* furnaces, so-called because the bath of metal forms one of the electrical circuits. Such furnaces require special electrical machinery and very refractory linings and the General Electric Company engineers

think they have solved all the difficulties hitherto associated with this type.

Driving of Textile Mills

Although the fitting of textile factories with motors has progressed rapidly, a careful estimate shows that only about one-third of the mills in the United States are electrically driven. All new mills will, in future, be built for electric driving by individual motors, because electricity is much cheaper, gives less thread breakages, and turns out better product.

The textile factories of the United States are only a small percentage of those of the world, and thus great possibilities of future business lie in this direction.

The service required of textile mill motors and switchgear is much less than for steel making and mining and the motors are smaller. At the same time the renewal business is profitable, and presents about 12% of the total in any one year.

Great Expansion of Trade in Small Apparatus

During the last few years, there has been a great increase in use of electrical devices in homes, hotels, restaurants, etc. This is due to the lack of domestic help and the demands of those so employed for labor-saving devices. At one time it was almost impossible to sell electric devices in the Southern States because of the cheapness of negro labor. But now that is changed and the housewives of Southern homes are as keen to get cookers, heaters, fans, laundry machines, etc., as are those of the North.

Business in electric fittings, etc., used for the wiring of houses, hotels and factories represents about $30,000,000 a year, and a large part of this is done through small firms, and it is interesting to note that in the United States there are 42,300 wholesalers dealing in electrical fittings and apparatus, and 790,000 retailers.

Up to the present time $275,000,000 have been spent in the wiring of houses, etc., and over three times that amount has yet to be spent.

Businesses Absorbed

Within the last two years the G. E. Co. has purchased outright or bought shares in a large number of businesses. Amongst them are the United Button Co., the Remington Arms Co., the Scranton Textile Co., and L. Feuchtwanger & Co. The last named now forms part of the Edison Lamp Works and its absorption has enabled that concern to raise its output of lamps to upwards of 20,000,000 a year.

The Locke Insulator Corporation is now closely allied with the General Electric Company, as the latter has acquired a substantial financial interest and is co-operating in researches on extra high tension insulator problems.

The Hurley Machine Company's issue of 60,000 additional shares of common stock was acquired by the General Electric Company at $35 per share, which increased the Hurley Company's working capital by $2,100,000. The company manufactures the "Thor" washing and ironing machines, vacuum sweepers and other household appliances, and the sales for 1920 are expected to be at least three times greater than in 1918.

The Victor Electric Corporation of Chicago has been reorganized as the Victor-Ray Corporation, with the General Electrical Company owning the controlling interest. The invention of the Coolidge tube (of which patents are owned by the General Electric Company) revolutionized X-ray work. There was an enormous demand for such outfits during the war, and the output has kept up wonderfully well since.

TABLE I. — GROWTH OF GENERAL ELECTRIC'S SCHENECTADY WORKS.

Year	Number of Buildings	Plant Area in sq. ft.	Number of Employees
1886	2	70,406	800
1890	44	249,714	2,200
1895	70	595,143	3,880
1900	107	1,403,605	6,200
1905	161	2,574,987	12,500
1907	171	3,288,518	15,120
1909	178	3,758,679	10,890
1911	208	4,505,015	14,000
1913	213	4,903,281	17,161
1916	277	5,191,633	18,625
1918	283	5,840,563	20,700
1919	309	5,855,347	20,180
1920	325	6,000,000	23,000

TABLE II.—GENERAL ELECTRIC DEPRECIATION CHARGES.

Year	Expend. for Additions	Allow for Deprec. and Replacements	Net Book Value of Plants	% Deprec. Allow. to Book Value
1910	$5,846,532	$4,661,175	$15,516,314	30.0
1911	7,036,068	3,113,461	19,538,922	15.0
1912	9,063,100	4,045,980	24,556,111	16.5
1913	11,373,118	6,508,060	29,427,168	22.1
1914	6,006,956	4,370,798	31,063,322	14.0
1915	4,455,000	5,965,000	29,563,332	20.2
1916	8,828,255	8,486,822	29,904,764	28.4
1917	22,320,895	13,287,249	38,938,410	34.1
1918	21,593,907	16,402,253	44,040,154	37.0
1919	14,462,286	7,088,894	50,813,546	14.7

The Radio Corporation of America has been formed with the backing of the General Electric Company to absorb the American Marconi Company's shares held by the British Marconi Company. The financing plan provides for 5,000,000 shares of 7% preferred stock of $5 par, and 5,000,000 shares of no par common stock; the General Electric Company receiving 135,714 shares of preferred and 2,000,000 shares of common for a payment of $2,500,000.

The remarkable growth of the General Electric Co. since its organization is brought out in Table I herewith, showing the rapid extension of the company's Schenectady works from the time when the first two buildings were in use to the present time when well over 300 buildings are required. It should be noted in this connection that the total area occupied by all the concerns controlled or managed by General Electric, as well as the number of employees, amounts to nearly five times the figures shown in this table.

Financially the company has pursued a policy of conservative expansion. Average depreciation charged in the last ten years has been 23%, which seems well in line with the marvelous growth of the corporation. Earnings are brought out vividly in the graphs.

General Electric stock, dealt in on the New York stock exchange, is subject to wide fluctuations and for that reason must be classed as somewhat speculative so far as originally invested funds are concerned. However, the immense earning power of the company and its recent extension from a largely American system into a system represented actively throughout the world give assurance of future dividends. Under any improvement in general market conditions the issue should easily sell well above its present depressed level.—vol. 24, p. 216.

LONSDALE FAVORS FINANCIAL AID TO MOTOR COMPANIES

In a letter to Vice-President W. M. Chandler, President John G. Lonsdale, of the National Bank of Commerce, St. Louis, Mo., said in part:

"This is an age of electricity and gasoline. Distance is annihilated by the telegraph and telephone. Business is transacted not only nationally but internationally by wire. Money is transported by telegraphic transfers of credit. If it is a question of hard surfaced roads and automobiles against the country worn road and the ox cart in the rut, nobody wants to go back to the 'old days.'

"If the high cost of living is a problem and a man's fixed expense is to be reckoned, we must have a time-saver, whether it be the telephone, telegraph, the wireless, the automobile or whether the gasoline propelled surface car, or the airplane. It makes no difference whether a man is a bricklayer, plumber, or banker. If his time is worth anything it is economy to limit his period of transportation.

"America is not a nation of diplomats, poets, and artists, but a shirt-sleeve business people who excel in domestic industry. What is the use for a man to work hard to raise feed for a horse when he can save the horse's feed by motive power? And so it is admitted that the tractor performs a great function and that the truck is a connecting link between the producer and the consumer, enabling door deliveries. Therefore, through a process of elimination, the passenger automobile is the only thing at issue.

"It would be poor economy for a farmer to burn down his barn simply to destroy a few rats. It would also be a short-sighted policy to put a blight on the passenger automobile, which is a business car and a time saver, in order to try to cure an isolated case of a youthful joyrider. Even the enthusiasm of youth is something to be envied and a condition that money cannot buy, so if one's outlook is healthy and wholesome he will bless the man who harnessed electricity and who diverted gasoline into channels which make motive power and thereby caused the tractor, the truck, and the automobile to be possible.

"The history of the American people shows that the luxury of yesterday becomes the necessity of today. Many years ago when our forefathers had wooden doors and sliding shutters for windows, window glass was considered a luxury only for the rich, but now it is a necessity even for the poor, letting sunshine and happiness flow from without, and keeping within the warmth necessary to home comfort."

Legal Victory Secures Future of Our Airplane Industry

Wright Aeronautical, With Basic Patent, Now Safe from "Dumping" of Foreign Machines —The Industry's Commercial Future

By **ALEX MOSS**

THE airplane industry of the United States can be said to have received its real start back in December, 1903, when the Wright brothers, Orville and Wilbur, made several successful flights in a biplane glider fitted with a 16-horsepower motor. The machine, which on its first trial flew at a speed of 30 to 35 miles an hour for a period of twelve seconds, demonstrated conclusively that the theories of sustained flight evolved by the Wrights in their glider experiments would work out in actual practice. In 1905 the Wright brothers flew for a distance of 24 miles in 38 minutes. From that time airplane history has been in the making in all parts of the world.

During the war, the airplane was brought to a high point of development. Following the armistice, production plans went to smash, in common with those of other war industries, and the leaders in the airplane industry began to look into the possibilities of developing aircraft so that they could be used for commercial purposes. This meant a modification of the military types, upon which all endeavors had up to then been concentrated, and required a maximum degree of co-operation on the part of manufacturers, designers and engineers.

Many Difficulties Surmounted

The manner in which many technical difficulties were surmounted by American airplane manufacturers is an augury of the developments that may be expected to materialize when the industry sets to in real earnest to build up a commercial aircraft industry. Even at this time airplanes are being used for purposes that the manufacturers themselves never foresaw a few years ago. Some mining companies transport their workers to and from isolated pits and use the planes to carry metals to market. Owners of oil wells in Wyoming and Texas are investigating the possibility of using aircraft to establish and inspect fields. The patrol of high-power lines through rough and unsettled country is another use to which airplanes have been put. There is hardly a country on the globe where civil aerial transport is not being carried on to some degree. The use by our own national and state governments of aircraft for mail and parcel post service across the continent is now an established fact.

Conceding that the possibilities for the development of aircraft for civilian uses are many, a natural question that presents itself is: What of the future of the American airplane industry and what part will American manufacturers play in its development? For the immediate moment the American industry is to a certain extent safeguarded against the encroachment and dumping of foreign-made aircraft, which was threatened but a short time ago, by an injunction granted the Wright Aeronautical Corporation, of Paterson, N. J., as owners of the fundamental American airplane rights originally granted to Orville and Wilbur Wright.

Photo by Ewing Galloway **FRAMING THE WING PLANES**

Joining together the spruce-wood parts of the wing planes demands skilled carpentry and can only be entrusted to expert cabinet makers.

Events Leading Up to Litigation

The history of the events that led up to the litigation from which the Wright Aeronautical Corporation emerged victorious is indissolubly linked up with the past and future of the American airplane industry. The facts in the matter are as follows: Soon after the world war broke out, it became obvious to the allied military authorities that the German Mercedes aviation motor was far superior to any engine possessed by either France or England. Many engineers of allied sympathies were filled with the ambition to build a motor to surpass the Mercedes, but it remained for Marc Birkright, a Swiss engineer, to produce a motor that promised to fulfill the Allies' requirements. Birkright was engineer to the Hispano-Suiza Company, builders of automobiles, with plants at Barcelona, Spain and Paris. At the end of 1915, the Paris factory of the Hispano-Suiza Company began production. One after another different factories in France were ordered by the government to give up their own experimental motors and produce Hispano-Suiza engines.

In the early part of 1916 an order for 450 engines was given by the French government to the General Aeronautic Company of America, a subsidiary of the Wright company, through the Hispano-Suiza Company of France. To get into production on this order proved to be very difficult and costly. It became obvious that a reorganization was necessary, and in September, 1916, the Wright-Martin Aircraft Corporation was formed to take over the General Aeronautic Company of America, the Wright Company, and the Simplex Automobile Company.

After many vicissitudes, the Wright-Martin Corporation got under way. The Hispano-Suiza motor was perfected, and in May, 1918, the corporation received authority to put this engine into production in large quantities. The company's plant at New Brunswick, N. J., was working to capacity, so the government-owned factory in Long Island City was given over for the purpose. The plant remained government-owned property, but was operated by the Wright-Martin organization. The first production engine was placed on test in November, 1918.

After the armistice was declared, the Wright Aeronautical Corporation was formed to succeed the Wright-Martin Aircraft Corporation. The new company took over all of the assets of the latter organization in excess of the approximate sum of $8,000,000, which was liquidated to the stockholders in cash and reinvested by them through a stock deposit agree-

ment in securities of the International Motor Truck Corporation. This involved complete retirement of the preferred stock and partial retirement of the common stock of the Wright-Martin Aircraft Corporation. The re-organization was found necessary in order to put the operations of the older corporation on a satisfactory peace-time basis.

The Wright Aeronautical Corporation occupied a portion of the old New Brunswick plant of the former company until the late spring of 1919, at which time a rented factory, suitable to its requirements, was secured in Paterson, N. J., where the company is now engaged in performing certain contracts for the United States Government. The New Brunswick plant was sold to the International Motor Truck Corporation. The Wright Aeronautical Corporation, in addition to the cash received from the Wright-Martin Corporation, also took over the basic Wright patents and the American rights to the Hispano-Suiza aeronautical motor.

Events in England

The next stage in the affairs of the Wright Aeronautical Corporation in the meantime was assuming shape in England. In March, 1920, the British Ministry of Munitions, through the Imperial and Foreign Corporation, sold its entire stock of surplus airplanes, seaplanes, airplane engines, spares and accessories to the Aircraft Disposal Company, Ltd., a newly formed and powerful syndicate with widespread interests. The size of the deal may be judged by the fact that it comprised 35,000 aero engines, 10,000 war airplanes, and an enormous stock of spares and a number of hangars. The value was estimated at £1,000,000, or about 1% of what the material had originally cost the British Government. In the contract it was stipulated that the British Government was to receive 50% of all profits, thus investing the enterprise with a character which, to the airplane manufacturers in the United States, appeared of profound significance. The moving spirit in the new syndicate was Mr. Handley Page, the inventor of the famous plane bearing his name. One of the main objects of the syndicate was to dispose of the surplus aeronautical stocks to foreign countries, principally to the United States.

American airplane manufacturers viewed with alarm the plans of their British cousins to make this country a dumping ground for a large part of the British surplus. In fact, some DeHaviland planes, which had cost the British Government more than $15,000 each to make, were sold to purchasers in the United States for $1,500 apiece. In an effort to save the American airplane industry from the inundation that would result if these surplus British aircraft were permitted to be sold here at ridiculously low prices, a bill was introduced in Congress providing for the assessment of a special dumping tax. Hearings were held on this bill May 28 and June 1, 1920. The measure, known as the Tillson Bill, was brought up before the House on June 4 and was passed unanimously. It was sent to the Senate at once. Under parliamentary rules, it is necessary to have unanimous consent in order to waive second reading of a bill during one session. Senator Hitchcock of Nebraska asked to have the anti-dumping bill brought up, then objected to waiving reading, thus throwing the bill over into another calendar day. The Senate took a recess early the following morning, and not having adjourned, the session came to an official end at 4 o'clock on Saturday afternoon, June 5. The anti-dumping bill died with the session.

Wright Corporation Takes Up Cudgels

It was at this crucial point that the Wright Aeronautical Corporation entered the lists in an effort to take a last stand against the dumping of the surplus British aircraft. On July 10, 1920, Judge Thomas I. Chatfield in the Federal Court for the District of Southern New York handed down an opinion in which, upon petition of the Wright Aeronautical Corporation, the basic airplane patents granted to the Wright brothers were upheld decisively against foreign infringement. The final decree perpetually prohibited the Interallied Aircraft Corporation of New York, which was the medium through which British aircraft were to be sold in this country, from using or selling airplanes in the United States. The Interallied corporation, however, has since effected an agreement with the Wright Aeronautical Corporation, so that all the planes which the Interallied Aircraft Corporation now has and is selling in this country are licensed under the Wright patents. The Wright Aeronautical Corporation at this writing has a similar suit pending against the Aerial Transport Corporation, which has an option on half of the British surplus. The outcome of this suit is being awaited with much interest by the American manufacturers.

The Chatfield decree makes clear that the basic Wright idea, which made flight possible in heavier-than-air machines, cannot be copied in this country, notwithstanding the fact that the foreign privilege of using the Wright invention was sold or leased to foreign interests. The patent involved in the decree is U. S. Patent No. 821,393, which covers the Wright means for maintaining and restoring lateral equilibrium, whether by warping the wings or by ailerons or otherwise.

Copyright Ewing Galloway

ASSEMBLING AN AIRPLANE

The construction of all the parts of an airplane requires a great deal of the most exacting skilled labor.

As the owner of the basic Wright patents, the Wright Aeronautical Corporation at this time gets a royalty on every airplane manufactured in the United States, paralleling in this respect the famous Selden automobile patent.

Design Improvements Now Being Made

During 1920, the Wright Aeronautical Corporation has been consistently improving the design and construction of the Wright engines, in order to maintain its leading position in aviation engine building in the United States. At the same time, much thought and energy have been expended on the development of engines differing from the Hispano-Suiza type. A new model of the 180-horsepower Wright engine, known as the E-2, has been put into production, and orders are now being filled for the new model 300-horsepower Wright engine known as the H-2. The E-2 model contains several important modifications, which the company officials say will still further increase the dependability and ultimate life of this widely used engine. These modifications have resulted in an increase in power but without an increase in weight. Plane designers will appreciate the rearrangement of several parts of the engine, which has been done to facilitate mounting in the plane. This work has been logically developed and carefully executed. Each change was made, states George H. Houston, president of the company, after thorough study and experiments.

The model H-2 incorporates some of the changes mentioned in the foregoing

(*Continued on page* 131)

Two Equipment Companies Worth Watching

Railway Steel Spring and Amer. Loco. Both in Unique Position Among Industrial Corporations —When Will the Railroad Buying Begin?

By **JOHN MORROW**

WHEN discussion was general over the probability of a great rush of equipment orders following the return of the railroads to private control, the question of the high cost of financing was generally ignored, or at least put in the background by those who were expecting boom times for the manufacturers of railroad motive power and rolling stock. This great in-rush of orders has not so far materialized. The railroads apparently are holding back until they can finance their needs on easier terms, and it is also generally understood that the Interstate Commerce Commission is not looking with favor upon the issuance of new railroad securities at the high interest rates now prevailing.

Whether or not the charges of greatly impaired rolling stock were true in all details, it is quite apparent that the railroads have made and are making every effort to put bad order locomotives and cars into proper condition. Reports have it that results of this repair work have been satisfactory and up to expectations of the railroad managements. An argument for this is found in the recent laying off of shopmen by the New York Central and Pennsylvania systems. If the rails are on their way to better car and locomotive performances than at first considered likely, it may be that orders for new equipment will not be as great as anticipated. Expectations of that kind are often subject to exaggeration, but it seems probable at least that the equipment companies are in line for a very decent amount of business, and at the present writing anticipation of depression in the industry seems not well founded.

Equipment Companies in Strong Position

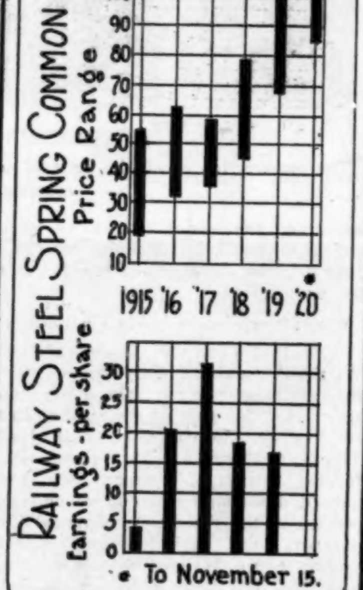
There is one saving factor about the equipments, and that is, these companies as a class are not included among the inventory-swamped corporations. Also the equipment companies have not found it necessary to raise new capital, and therefore will not be under the necessity of earning compensatory income against high cost capital.

In a general way the stocks of the equipment companies held up relatively well in the big liquidation of shares, and there is less suspicion directed against their ability to continue current dividends.

RAILWAY STEEL SPRING

With a large amount of repair work and an active demand for parts, the position of a company like Railway Steel Spring may be interesting. This company, while classed as an equipment, does not manufacture cars or locomotives, but produces steel springs, steel-tired car wheels, locomotive tires, etc. It is probably true that the market for such material is more stable and over a period will run more evenly than the market for the actual rolling stock and locomotives. Prices of Railway Steel Spring products are largely governed by steel prices, and the margin of profit is naturally closely allied with the trend of steel prices, and this point is especially important under the present circumstances.

Railway Steel Spring has had an enviable record during the past five years, and the feature that stands out perhaps



EARNINGS OF RAILWAY STEEL SPRING.

	Gross Income	Operating Expenses	Balance for Stocks
1915	$7,043,957	$4,975,679	$1,363,229
1916	14,086,409	9,063,909	3,710,805
1917	23,905,714	13,806,747	5,307,860
1918	25,182,082	17,163,012	3,426,100
1919	*........	*........	3,194,354

*Not reported.

most prominently is the elimination of the funded debt. At the end of 1916 the company had two issues of bonds outstanding, aggregating $6,000,000. These were gradually being retired through the operation of a sinking fund, but the great improvement in earning power made it possible for the company to anticipate maturity, so that at the end of 1918 no bonds at all were outstanding.

These two issues of bonds were originally sold to finance the acquisition of the Latrobe Works and the Inter-Ocean plant, both of which are devoted to the manufacture of tires and both of which constitute very important units of the corporation's facilites.

Effect of Funded Debt Elimination

It will readily be seen that the company used the prosperity of the war period to bring back unencumbered these two essential plants, which had been acquired with borrowed funds (in the form of bonds). The effect of the retirement of the funded debt of greatest interest to stockholders is the fact that the shares, both preferred and common, were brought much nearer to earnings.

When $6,000,000 bonds were outstanding, interest charges were $300,000 a year, and sinking fund requirements were $260,000 additional. In 1916 the common stock was receiving dividends at the rate of 5%, so that $2,180,000 annually was required to take care of the bond interest, sinking funds and dividends upon both classes of stocks. Now, the $13,500,000 common stock is receiving dividends of 8% a year, and the $13,500,000 preferred is receiving the usual 7%. Total dividend requirements are $2,025,000. Thus it actually is costing the company less to take care of requirements, although the rate on the common stock has been increased to 8%, than it did when bonds were outstanding. The benefit to shareholders is immediately manifest.

While the measure of the value of the shares of any corporation does not lie fundamentally in asset or plant values, yet these values are a factor of importance in determining what might be called the solidity of share capitalization.

Asset Growth

At the end of 1914 the total assets of Railway Steel Spring were $38,035,000. At the end of 1919 the figures stood at $42,760,445—an increase of $4,700,000, which in the net is mainly represented by an increase in "investments." Profit and loss surplus at the end of 1919 stood at $11,532,000, compared with slightly less than $4,000,000 at the end of 1914.

The balance sheet as of December 31, 1919, was clean enough even down to the inventory account, which just now is being more closely watched than perhaps any other item making up the financial position of an industrial corporation. This account at the end of 1919 stood at $3,809,824, compared with $5,275,033 at the end of 1918—a decrease of $1,465,209. The company at the end of 1919 had no outstanding accounts of any size, and it is understood that such is the current condition of finances.

Earnings Outlook

As the business readjustment progresses it is becoming more and more popular to

go back to the pre-war earnings records of the industrial corporations, on the theory probably that by so doing some idea may be gained of what a company will do when the deflation period is completed. In the six years beginning 1910 and ending 1915, Railway Steel Spring showed annual average earnings of 2¾% on the common stock. Included in figuring this average is the year 1914, when the company earned nothing for the common and only $2.77 a share on the preferred. But the pre-war years for the equipment companies were particularly dull, on the average, as they represented a time when railroad credit and railroad purchasing power were steadily on the decline and when railroad managements were practicing economy through necessity. Also Railway Steel Spring has, through the retirement of bonded debt, added indirectly almost $600,000 a year to earning power on the common stock, an amount equivalent to between $4 and $5 a share. Therefore, it seems fair to assume that Railway Steel Spring would have an earning power equal at least to $8 a share, even when business is not particularly good.

There is no question now as to the investment standing of the 7% preferred, which has a prior claim upon disbursements from surplus earnings, and which is to be given a first-class rating.

It cannot be flatly said that the safety of the current $8 rate on the common stock is absolutely assured. It is not to be inferred from this that there is reason to believe now that the dividend is in danger, but it does seem fair to state that there is some element of speculation in the ability of the company to earn enough to make the continuance of an $8 rate conservative policy. If the railroads come through as they are still expected to do, then current dividends can be continued. In any event, Railway Steel Spring earning power seems to have been permanently lifted above pre-war levels.

AMERICAN LOCOMOTIVE

Another equipment company which occupies a position of more than passing interest is the American Locomotive Co.—with the Baldwin Locomotive Co.—the foremost maker of locomotives in the country. American Locomotive is one of the corporations whose common stock has been the subject of whispers and reports anent the possibility of increases in dividends, or at least an extra disbursement of some kind. And the company's record of earnings over the past five years does seem to furnish grounds for such conjectures. However, business in these changing days is more a matter of credit than ever, and particularly so with a company like the American Locomotive, which has had to be liberal in extending terms to purchasers of locomotives, both domestic and foreign. This procedure naturally necessitates the maintenance of a strong financial position, a point which is sometimes ignored by stock market enthusiasts. In any event, directors of the company have been satisfied to maintain the regular $6 dividend rate on the common stock, and to allow the possibilities to be discussed by outsiders.

The Earnings Record

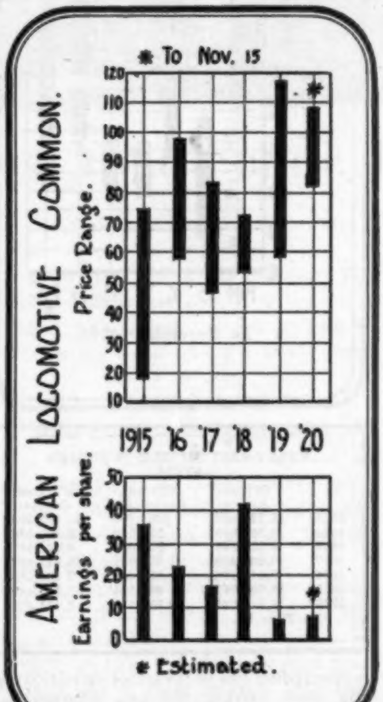
A word as to the record of the past five years. In the period from June 30, 1915, to June 30, 1920, total earnings upon the common stock amounted to almost $130 a share, of which some $28 a share were paid in dividends, leaving over $100 as the net addition to asset position. In the same period the company reserved out of this surplus for additions and betterments $15,000,000, an amount equal to $60 a share on the $25,000,000 common stock outstanding. At the same time, working capital steadily increased, until at the end of 1919 it stood at $35,868,000, equal to over $140 a share on the common, and the best part of current assets were liquid.

Recognition of the company's immensely

EARNINGS RECORD AMERICAN LOCOMOTIVE.

	Gross Sales	Operating Expenses	Surplus for Stocks
1916	$59,316,016	$46,488,900	$10,769,429
1917	82,213,845	70,949,022	7,201,680
1918	80,566,071	68,803,958	5,911,137
1919	108,923,524	90,414,359	12,012,567
1920*	42,390,763	35,186,529	5,354,370

*Figured on basis of 6-mos. reports. Fiscal year now ends Dec. 31.



strengthened all-around condition has long since been accorded, but that as an argument in favor of purchasing any industrial stock is losing force, to be supplanted by the question of how much of the war period earning power will be lost when the business readjustment is completed, and how much of the resources added as a result of the big earnings of the past several years will be resources of continued earning power.

The company earned in the twelve months ended December 31, 1919, almost $31 a share on the common stock, but during the last half of the period business was falling off rather rapidly. As a result the company entered the 1920 year with only $8,999,000 unfilled orders on its books, of which 27% was domestic, and 73% of foreign origin. It is doubtful whether the preponderance of foreign orders could be considered as of particularly favorable portent in light of subsequent developments in the foreign exchange markets. In the first half of 1920, with the above orders as a start, earnings on the common shares were equal to $7.61 a share.

The Outlook

Those earnings, however, could not reflect the improvement in business which became manifest during the spring months, with the result that the end of the half year presented a much better picture. As of June 30, 1920, unfilled orders were $44,073,632, of which 86.8% was domestic and 13.2% foreign. During the first half of the year plants were operated on an average of 35% of capacity, but since then it is understood that the average has been closer to 60%, and the amount of orders on books on July 1 would indicate that plants would be employed throughout the rest of the 1920 year at at least 60% of capacity. There have been no reports that unfilled orders have been on the increase since June 30, or in other words, no signs that the company is not able to keep abreast of current business without pressing facilities.

So far as may be deduced from figures presented, American Locomotive has been able to limit materials purchases against definite contracts, and furthermore the company started this year with a relatively light inventory, so that decline in prices of raw materials should not have a marked effect upon the margin of profit, which, incidentally, in the first half of the year, was between 14 and 15%, and more in line with pre-war levels. During the height of the war prosperity the margin was between 15 and 20%.

Working capital on June 30, 1920, was $36,350,000, compared with $35,868,000 on December 31, 1919, and as of June 30 there were no loans payable, and among current assets were included some $17,400,000 U. S. certificates of indebtedness, Liberty Bonds and Canadian Victory bonds.

Conclusions

American Locomotive 7% cumulative preferred is to be unhesitatingly recommended as a desirable industrial investment stock.

The common paying at the rate of $2 less a share than Railway Steel Spring common, is selling at about the same price as the latter, but is generally conceded to have more attractive speculative possibilities, which in a measure account for the smaller income return. It is perhaps true that Locomotive common carries a "promise" of higher dividends, but the necessity of maintaining a sturdy financial position on account of deferred credits on contracts placed for locomotives must be considered, and taken as a factor. But it is a temporary factor, and on market setbacks and breaks such as are being experienced at this writing, the common shares deserve attention from any one who is looking for speculative purchases.—Ry. Steel Spring, vol. 25, p. 454; Am. Locomotive, vol. 24, p. 1120.

Kelly-Springfield Tire Co.

Large Inventories Kelly-Springfield's Chief Trouble

Ample Cash in the Company's Treasury and General Financial Condition Is Good—Stock Has Over-Discounted Trade Set-Back

By **J. WILSON THORNE**

THERE was a time not so long ago when a big inventory was considered a decided asset. It was a bulwark against the necessity of new buying. To-day, the bigger the inventory, the bigger the load which must be carried, and with prices dropping, it is likely to be a source of trouble. This is especially true of the tire industry, which has experienced a very pronounced slump in cotton fabric and rubber—the two essentials in tire-making.

Kelly-Springfield's Inventories

Its last financial statement, as of June 30, 1920, showed that Kelly-Springfield's inventory account stood at $9,486,515. This was the largest amount in the company's history. At the end of Dec. 30, 1919, inventories amounted to $7,073,643. In other words, during the first six months of the current year, inventories increased by $2,412,872. During this period, cotton nd rubber costs were very much higher than they are at present; with the result that the company now finds itself under the necessity of writing off considerable amounts on account of depreciation in inventory values.

It is true that Kelly-Springfield did set aside $183,188 at the end of last year for just such a contingency as now faces the company, but this amount seems relatively insignificant considering the drop in prices. The slump in cotton and rubber prices and the generally unsatisfactory condition of the tire business renders it practically certain that the company will have to write off a good deal more than $183,188 before it is through with the year.

About 60% of Kelly-Springfield's inventory consists of manufactured tires, and the balance in the raw stuff which goes into the finished product. The accumulation of tires is being worked off as rapidly as circumstances permit, but it is to be feared the process will prove long-drawn out, with the winter months approaching, and the public rigidly economizing.

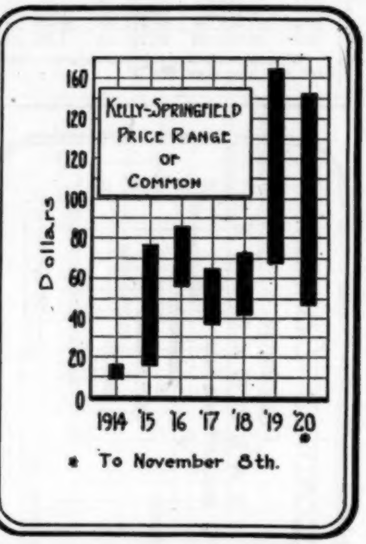
In the meantime, the company is offsetting the decrease in demand by reducing operations. Of the 2,000 employees of the company about 400 have been laid off.

Kelly-Springfield is one of the few important tire manufacturers which has not yet reduced the price of its manufactured article. From reliable sources, however, I gather the impression that this policy cannot be maintained indefinitely. Certainly, if the company hopes to expedite the sale of its surplus tires, it will have to make concessions by way of price reductions.

Working Capital Reduced

Notwithstanding the addition of $5,800-000 received last year through the sale of new preferred stock, the company, at the end of June 30, showed a smaller working capital than for the end of the preceding year. The reduction in working capital was approximately $3,000,000. (See Table.) This was due to the company's expansion activities, with about $7,000,000 going into the new plant at Cumberland, Maryland.

Owing to the increase in costs for labor and materials, in addition to the demands made upon the company's treasury by the new Cumberland plant, the concern has just resorted to some new financing. About $2,000,000 cash will come in through the sale of 82,018 shares offered to shareholders, at a price of $50 a share, to the extent of 35% of their holdings. Notwithstanding the unfavorable conditions in the stock market, the new offering has been successfully floated, which no doubt illustrates the confidence which the shareholders have in their company. The new financing strengthens the company considerably, and it comes at an opportune time with a few months of curtailed activity just ahead.



* To November 8th.

KELLY-SPRINGFIELD WORKING CAPITAL.

	Current Assets	Current Liabilities	Working Capital
1914	$2,717,405	$253,576	$2,463,829
1915	3,581,605	182,069	3,399,536
1916	5,127,345	350,938	4,776,407
1917	6,605,499	1,632,662	4,972,837
1918	9,440,120	1,682,662	7,134,618
1919	12,225,647	670,198	11,555,449
1920*	14,720,065	6,258,586	8,461,479

*To June 30.

Earnings Fall Off

It is to be doubted whether Kelly-Springfield's earnings this year will measure up to those of last year. During 1919 the company earned $13.20 a share for its common stock. For the first half of 1920, earnings per share amounted to $7.43 before taxes, which should bring net earnings to somewhere in the neighborhood of $6 a share for the first half of the year. There is nothing to show that earnings will equal this result for the second half of the year, and the year's total, therefore, should be considerably below that of 1919.

Will Present Dividends Be Maintained?

Shareholders are primarily interested in whether the present rate of dividends will be maintained. The company pays $1 cash quarterly on its $25 par common stock in addition to 3% in stock dividends. A recent statement by one of the directors was to the effect that there would be no change in dividends. If this is the case, the stock is certainly a bargain, as at its present price of about $39, it yields about 25% (cash and stock dividends included.)

Candidly, however, the outlook for the continuation of the present rate of dividends does not appear too reassuring. In any event, it will depend on how successfully the company can weather the present storm. If the present situation does not last more than a few months, with the financial position of the company unimpaired, there will probably be no necessity of reducing the dividend.

Completion of present financing sees the company well supplied with cash. The new Cumberland plant is about completed and will be put into operation at the beginning of next year. Eventually this plant will absorb all the tire manufacturing activities of the company.

It is understood that the company is taking advantage of the present low price of crude rubber and is adding to its stocks. This is probably good business management for the distant future.

Conclusion

Like all of the other tire-manufacturing companies, Kelly-Springfield has been hit a sharp and sudden blow by the unprecedented slump in prices. The company faces the immediate necessity of liquidating its inventories, and this is a difficult process on account of competition from all sides. The public is not inclined to help matters much and is in a cynical mood, awaiting still lower prices. The next few months will be a critical period.

A favorable feature is the satisfactory financial condition which offsets, to a certain extent, the disadvantages of its large inventories.

As to the stock itself, it would seem that it has done all that can be humanly expected in the way of discounting the situation. Early this year, it sold as high as 152, as compared with its current price of about 39.

Kelly-Springfield is one of the important factors in the tire business. Its products are very well liked, and normally enjoy a ready market. When the present fit of depression is over, the company should easily be in a position to resume its normal gait.

At present prices, I regard the stock as attractive for speculative purposes over a reasonable period.—vol. 25, p. 381.

Building Your Future Income

The Fourteen Obstacles to Successful Investing—No. 9—Lack of Fixed Purpose

WHEN a man combs over the list of investment offerings, selects with great care the one which he considers most reliable, purchases it and puts it away in his safe deposit box he becomes the silent partner in a great industrial enterprise.

His money goes into the treasury of the company selected, and there, together with the funds offered by thousands of other partners, it becomes the capital with which some business organization paves the way for its future activities.

If the enterprise is successful—and it will be, if our investor has chosen wisely—the corporation will pay him a certain share of its profits in the form of interest on bonds or dividends on stock.

Should the corporation be *very* successful, it will find itself able to sustain a larger capitalization than was originally provided. In acknowledgment of this fact, it will distribute new stock which will give each original holder more shares in the corporation, and therefore a greater ultimate return on his original investment.

Assume that an investor does choose wisely, and that the corporation to which he loans some portion of his savings proves able to pay him royally for his favor. He will then have gotten in on the "ground floor"—(an apt expression, by the way, which irresponsible promoters have rendered unsavory by misuse)—and other investors will bid for his place. The bidding will arouse interest in the stock, holders will be less and less inclined to sell, and the result will be a higher price.

* * *

THERE in brief is the story of the stock market. It is repeated time and time again. There is no more, and no less, romance in it. During every epoch in the industrial world thousands and thousands of investors get in "on the ground floor" in just this way.

Why, then, don't thousands and thousands of them, instead of just a few dozen, get rich?

Well, we have already given eight good reasons why in these columns. We have spoken of Ignorance, Apathy, Over-Trading, Lack of Grip, and so on, and so on. But we wonder whether, after all, the chief obstacle which the great majority of these investors have encountered is not, after all, just plain dilettanteism?

The inability or the unwillingness to concentrate on one set line, to never diverge from it, to learn all there is to learn about it "to mix one's paint with brains."

* * *

IN the current issue of THE MAGAZINE OF WALL STREET a plan for achieving financial independence is outlined. It is a plan which any investor with a steady income can pursue, so far as the mechanical processes are concerned. But there is mixed in with the ultimate success of this plan the assumption that the man who undertakes it will learn all he can about preferred stocks—the ones that are safe and the ones that are not safe; also that he will never once falter in his adherence to the rules laid down; and, above all, that he will keep constantly informed of the circumstances surrounding each one of his investments. No half-way measures will suffice.

In an earlier issue will be found the story of a man who started as a section hand on a railroad; who was proven wrong time after time in his efforts to achieve financial independence; who kept on studying his subject and revamping his methods until the light broke through and he saw the right way out. Incessant concentration, the will to learn the subject he had set out to master was his salvation. His dilettante friends will soon envy him his bank directorship.

And the innumerable other stories of success, written already or yet to appear in print, will all carry the same unalterable logic: that the man or woman who hopes to win at any game must first learn the rules.

There is no royal road to successful investing. It is one of the most difficult studies in the world. Among the successful few there will be no place for those whose purpose is not *fixed*.

The Prize Story

The Winning Article on "My Plan for Achieving Financial Independence" — Conservative Investing Assures the Result

By **"H. H. J."**

LIKE most people, I have always desired to become financially independent before too late in life to enjoy the results. Not until recently, however, have I had a definite plan for reaching the goal.

For several years I have saved, dabbled in stocks and "played the market" with varied success. Possibly the largest gain made through these operations is the realization that the man who methodically saves and really studies business conditions and securities from an investor's viewpoint, being satisfied with reasonable returns upon his capital, will reach financial independence much sooner with less sleepless nights than the speculator, plunger and get-rich-quick fellow. He is also much more sure to keep his capital rather than have only experiences for consolation in his old age.

The plan which I have worked out and am following to obtain financial independence is made up in two parts.

The first part is a straight savings plan, but with a regular increase in the amount to be saved each year. A return of 6% interest is expected on all except the current year's savings, and, as I shall later explain, I do not think this is unreasonable.

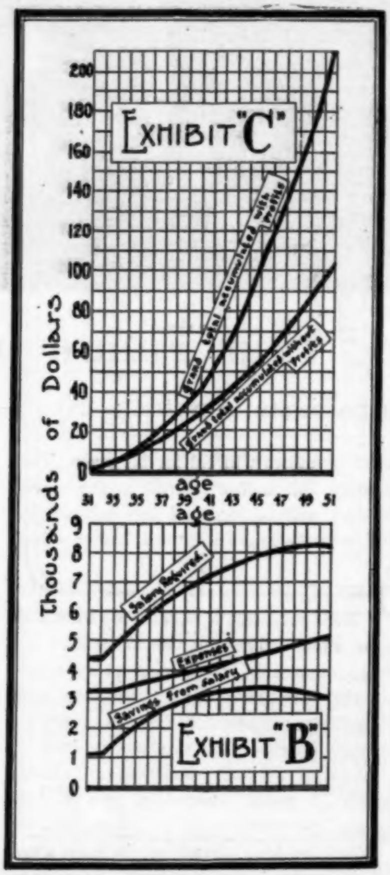
Anticipating Conditions Admitted

Of course, all plans are based upon certain anticipated conditions and mine is no exception.

I have endeavored, however, to be conservative in anticipating my future earning power and requirements with the results as shown in schedule "A." According to the plan, in twenty years, at the longest, I shall have accumulated $102,500 and be but fifty-one years old. The largest salary I must earn to accomplish this with expenses as shown in column "E" is $8,215, at age fifty. Salary required each year is shown in column "G." Required annual savings, column "B" and savings from salary column "A." The difference between columns "A" and "B" is the interest received upon savings and investments as shown in column "D."

It will be noted that my capital to start with is $2000 as shown in column "C." In starting with this amount I am conservative, for my present capital is larger than the amount given. I am also considering my house as an entirely separate investment.

In my expenses are included all life, accident and health insurance premiums rather than considering some of these as investments. With the tendency of living costs downwards I have not allowed for any increase in expenses for the second year. Possibly my expenses will seem low considering my salary, but it is better to voluntarily deny ourselves now than have to do so later in life.



I have invested and shall continue to invest only in well-protected, seasoned, listed, preferred stocks and bonds with possibly a small percentage in very well seasoned gilt-edge common stocks. All securities will be purchased outright and not on margin.

The return upon these investments should average 6% per year. In view of the fact that most preferred stocks pay 7 or 8% on their par values, 6% return upon my capital does not seem too much to expect. No interest is considered upon the current year's savings but, of course, there will be some, as monthly savings are made and either invested or deposited in the bank. I am letting this income act as a safety factor.

The Formula Used

The formula for working out this, the first part of my plan, or the amount that must be saved each year in order to accumulate a given amount in a certain number of years is the same as appeared in the February 7 issue of THE MAGAZINE OF WALL STREET, and is as follows:

Let "Y" represent the number of years the plan is to run,
"C" represent the amount of capital to start with,
"A" represent the total desired amount to possess at the termination of the plan,
"F" represent the amount that can be saved the first year, or your first year's savings,
"S" represent the yearly increase in the amount to be saved each year,

Expressed as an equation:

$$\frac{(2\times(A-C))-(2\times F\times Y)}{Y\times(Y-1)}=S$$

EXHIBIT "A"

Year	Age	"A" Savings from Salary B — D = A	"B" Required Annual Savings A + D = B	"C" Grand Total Accumulated	"D" Interest @ 6% on Investments	"E" Expenses	"F" Total Income Required B + E = F	"G" Salary Required F — D = G	"H" Profit @ 10% — 1% on "C"	"I" Grand Total Accumulated with Profits and 5% Interest I + A + 15% = I
				$2,000						
1921	32	$1,200	$1,320	3,320	$120	$3,300	$4,620	$4,500	$180	$3,500
1922	33	1,511	1,710	5,030	199	3,300	5,010	4,811	298	5,536
1923	34	1,799	2,100	7,130	301	3,400	5,500	5,199	452	8,165
1924	35	1,063	2,490	9,620	427	3,500	5,990	5,563	641	11,452
1925	36	2,303	2,880	12,500	577	3,600	6,480	5,903	865	15,472
1926	37	2,520	3,270	15,770	750	3,700	6,970	6,220	1,125	20,312
1927	38	2,714	3,660	19,430	946	3,800	7,460	6,514	1,419	26,072
1928	39	2,885	4,050	23,480	1,165	3,900	7,950	6,785	1,748	32,867
1929	40	3,032	4,440	27,920	1,408	4,000	8,440	7,032	2,113	40,829
1930	41	3,155	4,830	32,750	1,675	4,100	8,930	7,255	2,512	50,108
1931	42	3,255	5,220	37,970	1,965	4,200	9,420	7,455	2,947	60,879
1932	43	3,332	5,610	43,580	2,278	4,300	9,910	7,632	3,517	73,342
1933	44	3,386	6,000	49,580	2,614	4,400	10,400	7,786	3,922	87,729
1934	45	3,416	6,390	55,970	2,974	4,500	10,890	7,916	4,462	104,304
1935	46	3,422	6,780	62,750	3,358	4,600	11,380	8,022	2,238	118,156
1936	47	3,405	7,170	69,920	3,765	4,700	11,870	8,105	2,510	133,376
1937	48	3,365	7,560	77,480	4,195	4,800	12,360	8,165	2,796	150,078
1938	49	3,302	7,950	85,430	4,648	4,900	12,850	8,202	3,099	168,387
1939	50	3,215	8,340	93,770	5,125	5,000	13,340	8,215	3,417	188,440
1940	51	3,104	8,730	102,500	5,626	5,100	13,830	8,204	3,750	210,388

Although this first part of the plan looked good and practical, yet I had made no use of my several years' "experience" in the market. After more figuring together with statistical study of the fluctuations of the preferred stocks h developed the second part of my plan, which is as follows:

Some Life Insurance companies write what is known as accelerative endowment insurance, by which, instead of applying dividends declared upon the policy to the reduction of the premium or the purchase of additional paid up insurance, the dividends are used to buy "time" and by so doing advance the maturity date of the policy.

The second part of my plan may be likened to this insurance method in so far as I intend to make my past experience and future study of investments earn dividends which will enable me to more quickly reach my goal.

How Preferred Stocks Act

In studying the actions of preferred stocks I found that over a period of ten years the more seasoned securities have sold at approximately the same high and low prices within each year's time. In other words, the seasoned securities studied have, during each twelve months, period, sold at or very near the high and low average figures covering a period of ten years.

As an illustration consider the preferred stock of the United States Steel Corporation. The lowest this stock has sold since 1909 is 102 during 1915; the highest point reached was 125¾ during 1910. The average of the lowest quotations each year since 1909 and exclusive of 1920 is 106½, while the average of the highest quotations for the ten-year period is 118.

The Rules to Be Followed

It is my plan to keep in touch with quotations and conditions in general and in particular those affecting a selected list of dividend paying preferred stocks and bonds.

When a stock or bond sells at a price equal to the average low for the past ten years, I shall, providing present earnings and conditions of the company warrant, and funds are available, invest in the security.

My investments will be diversified between the securities of different companies and also lines of business such as railroads, public utilities and industrials.

I will not sell any security purchased until such time as the average high quotation for the past ten years is reached or until I can at least realize ten per cent profit upon my investment, receiving in the meantime the dividends or interest.

Unless a stock shows a steady record of earnings and management together with average high and low prices over a ten-year period that will fully allow of my netting a 10% profit, I will not consider investing in it.

When funds are not invested as outlined I shall have them in the bank or in good commercial paper or short term notes; always something that may be easily disposed of or borrowed upon if necessary in order to take advantage of opportunities.

The Second Part of the Plan

In following the second part of my plan it is realized that 6% return upon all investments may be too high due to the possibility of buying just after a stock has sold ex-dividend or selling just prior thereto. I am therefore, expecting to average but 5% return each year upon my capital.

The possible results to be obtained by following the second part of the plan of annually netting 10% profit on the total capital possessed at the beginning of a year less 1% which is the difference between 6 and 5% interest return, is shown in column "H." These amounts do not reflect the compound interest that would accrue on the profits. The difference between columns "H" and "D" is the profit with interest adjusted to a 5% basis instead of 6.

The possible grand total to accumulate under the second part of the plan, which includes savings from salary, profits and 5% interest on capital, is shown in column "I." It will be seen that by following this method it is possible to accumulate $104,304, by the end of the fourteenth year or at the age of forty-five, which is a reduction of six years.

Necessary Profits Reduced at Fifteenth

Beginning with the fifteenth year, I have only figured on netting a 5% profit instead of 10%. After a man reaches forty-five, it is better to be more conservative so that he may be surer of keeping that which he has already accumulated. Even though I do net but 5%, it will be noted that should I continue with the plan for the full twenty years, I will have accumulated $210,388 instead of $102,500, as with the results that would be obtained in the same length of time by following the first part of my plan.

If for any unforeseen reason I am unable to save the required amount from salary in any year, the difference may be made up by drawing upon the previous year's profits. Of course, if any considerable amount of profits are so used it will retard the early maturity of the plan.

Should this procedure be followed each year instead of the plan outlined it would then require but $5,867 for the largest year's salary instead of $8,215. It is not my intention, however, to use profits in this way except in case of necessity.

In order to more plainly show the progress that may be made towards financial independence in successive years, I have plotted curves as shown on exhibits "B" and "C."

The factors as shown on exhibit "B" do not change at all, whether the second part of the plan be used or not. The curves shown on exhibit "C" show very plainly the advantages to be obtained by following the plan in its entirety.

What Spare Time Will Be Worth

In conclusion it seems that the entire plan is practical and conservative. I have made use of not only my capital, but also my experience.

In devoting some of my spare time to the study of conditions and securities, together with the operation of the second part of my plan, I will not only be making this time valuable in yearly additional income by profits, but will be in a better position to wisely take care of accumulations already made.

The profits thus made are equivalent to an average additional yearly income of $5,395 over the twenty years, which makes a very good return for spare time.

Why "H. H. J." Won the Prize

Editors Found It Necessary to Apply Highest Standards in Judging Articles—Many Other Manuscripts to Be Published Later

ON another page of the Editors of THE MAGAZINE OF WALL STREET present with a great deal of pride an article called, "My Plan for Achieving Financial Independence," written by "H. H. J." This article has been adjudged the winner of the fifty-dollar prize offered under the contest conducted by the Building Your Future Income Department.

Making the Award

Our readers will, no doubt, wish to know what procedure was followed in this office in connection with the prize award. Here is the explanation, made as brief as possible:

In the first place, as stated in the last issue of the MAGAZINE, when the time came for the Prize Story Contest to close, the editors were very much surprised—not to speak of their being tickled to death as well—by the number of manuscripts received. Better than that, the quality of each and every one of these manuscripts exceeded their highest hopes.

Articles came in from men and women all over the country, and in every walk of life. The stenographer in New York City, the retired real estate operator in a southern state, a rancher out West, a physician in Pennsylvania—all of them were represented.

In writing their articles it was readily apparent that these good people had something much better in mind than the winning of a small cash prize. Many of the articles written by the more mature were evidently passed on in the hope of guiding the younger and less experienced; while the youthful investors—the ones who were just starting out on the high road of financial life—seemed to have in mind as much a desire to subject their views to the test of black type as anything else.

About half of the writers wanted to tell what they had learned; and just about the other half wanted to put to the test the things they believed.

Each Different from All the Others

Under these circumstances, it will be readily understood that the *character* of each one of the Prize Stories would differ radically from that of every other. Grant

ing that each one was well written—a test that the editors learned early in the contest to discard as a standard by which to judge our readers—they were all distinctive, individualistic, little sections out of life.

Unable to apply old-fashioned rules in making their judgment, then, the editors had to go further. Their only course was to judge the articles by the standard set by THE MAGAZINE OF WALL STREET itself.

And here, roughly, is what that standard is:

When a man writes an analytical article for THE MAGAZINE OF WALL STREET he is required to present his subject, first and foremost, in a fair, unprejudiced manner. Too closely linked with that requirement to be actually secondary to it, the writer's facts must, so far as it proves possible, be gleaned from official sources—that is, sources in a position to know. He is not required to "quote" the president of the Blank Corporation in order to check up his statements; too many company officials still follow the outworn procedure of leading financial writers astray to warrant that. But he must have subjected his statements to the test of authorities—whether these authorities be on the Richard D. Wyckoff Analytical Staff, on the staff of THE MAGAZINE OF WALL STREET or merely some neutral observer whom experience has proven it safe to trust.

Thirdly, what we consider a "good" financial story, must have its important points brought out by means of graphic diagrams and tables. In a recent issue of the MAGAZINE we explained the use of these diagrams. It is enough here to say that one of the most distinctive features of our editorial pages has been this constant, careful use of "picture figures" which emphasize a statement.

Beyond these three requirements come the minor requirements of literary style, etc. THE MAGAZINE OF WALL STREET is prepared for the financial benefit of investors and business men, not for fiction lovers; and although it has many unusual *writers* on its staff, it insists that they be unusual analysts, first off.

"H. H. J." Met the Test

By these rules, then, it was found necessary to judge the articles submitted to the Prize Story Contest. And with every reason to believe that their judgment was fair, the editors awarded the prize to a gentleman who prefers to be known as "H. H. J.," and whose article appears on another page.

In that article you will find, first of all, a careful study of the facts under discussion—a study that went far enough to include the use of mathematical formulæ. Secondly, you will find the exercise of careful, conservative judgment in all of the writer's conclusions—as, for instance, when he "figures on netting" at forty-five years of age just half the profits he will have been able to accumulate, on the average, in his earlier and more active years. Thirdly, you will find the statements and conclusions aptly brought out by the use of a table, carefully compiled, and two excellent graphs.

Although a few of the other articles received came very close to meeting these requirements as well as H. H. J.'s, this gentleman's was just enough more finished to warrant the award.

Analysis Unnecessary

Remaining space will not permit an editorial analysis of Mr. H. H. J.'s plan. As a matter of fact, however, the article is sufficiently well prepared to stand alone. Throughout it appeals to us as being conservative and intelligent; and our sincere belief is that, if this investor and others like him can pump up the determination necessary to abide during the time set by the strict rules laid down, financial independence is assured.

As promised, the many other excellent articles received under this contest will be published, one by one, in future issues. Owing to the great number of manuscripts received it will be impossible to tell just when *your* story (if it was not returned) will be published; however, our advice to Income Builders, and the younger ones especially, is to read each one of these articles carefully.

There is no better way to progress than by analyzing the experiences and beliefs of others.

Questions From Home Builders

A Few of the Inquires We Have Received Discussed—Building May Start Now

THE series of articles in recent issues of the MAGAZINE, in relation to home building, its cost and the advisability of building, rather than purchasing a home already constructed, have brought many inquiries on the subject from subscribers, some of which have been answered by letter. A great number having the same questions relatively, have been reserved for answer through the MAGAZINE, as the subject seems to have been one of more than ordinary interest.

The article bearing the caption "Building a $10,000 Home With $4,000 Cash" has brought a variety of questions for information. A number of subscribers maintain that the average married man, relying on a principal sum of $4,000 and an annual income of $2,500, should not live in a home costing $10,000.

We disagree with them. As pointed out in the article, it would necessitate an economical arrangement of the family budget and require self-denial of many pleasures, but these self-denials can well be practiced by those who intend to succeed. Incidentally, the economics necessary would be more than offset by the degree of contentment which only a fine, comfortable home, situated in an inspiring rather than a distressing environment, can give.

In the schedule given for carrying costs, the owner is charged with $300 per annum toward mortgage amortizing. That is $1,500 in five years, and if it is invested yearly, the amount at the end of the five years should be materially increased.

AS FOR THE AUTOMOBILE

Some of our subscribers also have raised the question as to whether the $2,500 income man should possess an automobile, this question being raised by the fact that in the building plan, provision is made for a one-car garage.

We believe, unless the residence is far from the station and the auto method of transportation is necessary, that an automobile should be dispensed with for economy's sake. It is not so much the original cost of the machine as it is its maintenance and gasoline charges. The garage was included in the plan more to add to the value of the property as a whole than as an indication that an automobile should be maintained.

In case a sale of the house became advisable, the garage would assist in securing a better price. Furthermore, the garage constructed along with the house, costs but $100. To erect one later would cost from $200 to $300. A garage can always be rented, which would mean an income of $120 a year toward the budget.

NEW YORK MAN ASKS A QUESTION

A New York subscriber asks whether such houses can be built at the figure mentioned in the suburbs of New York. The answer to this is that similar houses have been built recently and are being constructed at this time for that figure.

COST OF GARAGE

There has been a question raised as to whether a stucco garage, large enough for one car, can be built for $100. The price given in the article is correct. The garage would be of the same material as the exterior of the house. The exact cost is $99. This figure is the cost only when the garage is built in conjunction with the house, when the material, labor etc., can be readily utilized.

BUNGALOWS

The article on four-room bungalows, with all modern improvements, at a cost of $3,500, brought up the question as to whether they can be built in and around large cities, where material and labor is high. They can. The coming spring will see a large number of such houses constructed. The point is to find a reliable builder who is willing to construct such houses at a fair profit and is in a position to purchase material in large quantities.

Many subscribers have already purchased some of the government built bungalows costing $750. These were not recommended for permanent homes, but for emergency homes, and more especially for subscribers who wanted cheap summer houses in the woods or at summer water resorts. For this purpose they are admirable.

BUILDING MATERIAL

To those who have asked whether it is advisable to hold off building operations, awaiting the expected reduction in the price of materials, the answer is if they live in a climate where building cannot be carried on at this season of the year, we believe by spring, when operations can be resumed, that there will be somewhat cheaper material and cheaper labor. The decline in prices will not be particularly sharp, for the reason that the demand for material for housing is going to be

extraordinarily large, and this will tend to keep the prices up. **Those who can build now, can, we believe, do so without fear of paying exorbitant prices.**

HOW TO DO IT

In some of the letters received, timidity has been evident as to going into a home building proposition with small capital. These subscribers are referred to the article in the August 30 issue of the MAGAZINE, wherein a contributor tells how he "Built a $10,000 Home With $450 Cash." We do not recommend many people to try this plan, as where one would succeed, 999 would find themselves in financial difficulties. The article is valuable in showing that where there is a will there is a way, and people who have a small amount of cash can obtain many valuable suggestions from the article, as to methods to be pursued in financing the construction of a home, particularly if the male members of the family can handle a hammer and a saw.

SMALL MORTGAGE INVESTMENTS

The following is typical of a number of letters received from intending home builders, who have not sufficient funds on hand at present to make the start, but want to invest not in stocks or bonds subject to fluctuations in the market, but guaranteed mortgage bonds. The letter reads:

"Will you please send me a list of the strongest companies issuing guaranteed mortgage certificates. I understand that in connection with such mortgages, it is almost impossible for the same to be defaulted, since both interest and principal are guaranteed by some strong company. I want to put by some money from time to time, so that later on I can build a home, but I want to have it in securities that are of this description. Also please state in what amounts such mortgage certificates can be purchased."

This matter was comprehensively treated in the issue of the MAGAZINE October 16, in an article by Harry A. Kahler, president of the New York Title and Mortgage Company, wherein he pointed out that this form of security is becoming increasingly popular and has many points of stability that recommend it to the careful investor.

The guaranteed mortgage is really an additional margin of safety. It is the same as a certification on a check by a bank. The check was good before the bank certified it.

If a man says, "Invest in this security and I will make good to you if you lose," the security does not depend for its value on the promise of the man; neither is the strength of a guaranteed mortgage solely dependent upon the strength of the guaranteeing company. The mortgage is there, and it might be said that one of the particular features is the certainty that expert real estate men and shrewd financiers have thought them safe enough to back them with the absolute guarantees of their companies' assets.

We cannot give a list of such certificates, but subscribers can communicate with companies advertising in the Magazine and making a specialty of such investments. Such certificates can be purchased in denominations of $100 and up, and are legal investments for trust funds.

A Short Talk About Bonds

What Bonds Are

THERE are a multitude of bond classifications and the mere name of "Bond" is not sufficient to secure a sound investment.

In the final analysis, the safety of a bond depends upon the amount of property in good condition owned by the company; the total capitalization; the earnings; and the priority of other liens, that is, the number of securities issued by the company whose interest payments take precedence over the bond in question.

An investor in bonds should concern himself, above all, with the question of safety of the investment and assurance of regular payment of interest. Other matters may also be taken into consideration, but they are subordinate to the points mentioned. Until the safety of principal is evident, an investor should never buy a bond of any kind.

Safety, the Prime Factor

Safety is the corner-stone of success in all security transactions. If a man will begin his financial career with this idea firmly fixed in his mind and will always adhere to it, he will have learned the first grand lesson in the building of a fortune and will never have cause to regret his action. If he lacks the facilities or the experience which would enable him to investigate personally, then he should buy only under the guidance of a bond broker, a banking house, or a disinterested specialist in the analysis of intrinsic values, whose reputation is a guarantee that the securities recommended are of the highest class.

Merely "Interest-Bearing Contracts"

Custom has allowed all subdivided interest-bearing contracts for the future payment of money that are drawn with formality to be classed under the term "BOND"; and this is permitted whether they are secured or unsecured, or whether the interest is imperative under all conditions or not.

Two General Classes

All bonds may be divided into two general classes, namely, "unsecured and secured obligations."

On its face the term "unsecured" would seem to imply less security for this division. But the contrary is usually the case, since it is because of the superiority of this class "as a class" that its obligations can be floated without guaranty or pledge of specific property. In other words few weak companies can successfully float unsecured obligations.

Debenture Bonds

This type of bond is in reality only a promissory note although the document itself has the form of a bond. In this country the word "Debenture" is the basic term for all forms of unsecured corporate obligations.

The technical strength of almost all corporation debentures depends on the duration of the loan and on the amount and stability of equities in assets and earning power over and above prior liens and charges. If these equities are sufficient during the life of the loan, interest charges will be met; and if they are sufficient at maturity, the company will be able to refund that part of the issue which has not previously been redeemed or amortized.

Some Special Cases

In some cases debentures have special lien security or trust agreements, but when no such agreements have been made then there is no recourse to foreclosure proceedings. The bondholder is merely a preferred creditor. He may resort to proceedings under the contract, either to have a receiver appointed or to obtain a judgment and to levy execution; but this is all he can do.

Corporation Notes

Corporation Notes are to be distinguished from ordinary commercial notes only in respect to formality in the drawing. The title is used particularly for debentures of short duration, and for those that have dispensed with the formality of an indenture under seal.

During the past few years short term notes have been the resort of companies wishing to obtain funds at times when money rates would not permit the economical issuance of long term, low interest bearing securities. It is usually the intention to provide for the payment of these notes at maturity with Refunding Bonds. If the money market has not improved sufficiently to warrant this, the notes may be extended, or new notes issued to take their place.

Other things being equal, a company's short term notes are a safer investment than its long term debentures, for the equities in assets and earnings can be predicted with greater success for a short time than for a long period.

Debenture Income Bonds

This name is the full title for the class of obligations commonly called "Income Bonds" and is the last of all in rank. Income bonds are cumulative or non-cumulative, like preferred stock (which they resemble), depending upon whether a default on all or any part of the interest one year shall or shall not be made up another year when the interest has been earned. These bonds take precedence over all classes of stocks, for although both are liabilities, only the bonds are obligations.

Receiver's Certificates

As a class, Receiver's Certificates are perhaps the strongest form of corporation bond, although "unsecured." This is because of their origin in necessity and law. They are issued by the receiver, at the order of the court, in order to raise money necessary to the continuance of some form of service, the cessation of which would be contrary to public interest and policy.

To make them successful instruments for raising money under the necessarily unfavorable circumstances, they have precedence in payment over all other funded obligations, and they rank second to wages, supplies, current expenses and mechanics' liens. If the certificates are not paid during the receivership, they are assumed by the company on reorganization.

Health Insurance

Why It Should Be Carried—Regulations and Premiums

By WILLIAM ARMSTRONG

WHILE today it is the exception to find a man or business woman who does not carry a life insurance policy for a small or large amount, there are far too few who have safeguarded their incomes, through accident and health policies. Yet the latter are equally important, especially in these days when the average person is more than ever subject to injury through use of or being run down by automobiles. This danger is irrespective of the ordinary hazards encountered in daily life.

Benefit of Health Policies

When the benefit of an accident and health policy is compared with its cost, it seems strange that the number of these policies should be so few as compared with the amount of regular life insurance carried.

Such insurance is necessary for the reason that time is valuable and when loss of time occurs, through sickness or accident, there should be a reimbursement for the same, as in fire, burglary and other lines of insurance.

The holder of such a policy not only derives a direct benefit in a financial way, but is likewise released from worries over financial matters during the period over which the insured suffers loss of time. With such a policy, the holder is assured of funds for the family while the disability lasts, and when the trouble is overcome, can renew his work, not with the handicap of a sickroom debt, but through the insurance paid, on a parity as to finances, with his condition before the accident or sickness.

How the Rates Are Arranged

The insurance companies have so arranged their rates that these combined accident and health policies can be paid for monthly or annually. The rates are, of course, graded to conform with the hazard attached to the applicants' daily work. There is hardly a profession or trade that is barred.

Taking the average vocation of clerk or business man, the cost ranges from 95 cents a month up. For 95 cents a month, the policy holder is assured of an income from the company if sick or injured, of $60 per month. Larger amounts are payable in proportion to the premium and the income of the policy holder. In case of accidental death there would accrue on the 95 cent a month policy, from $600 to $900, according to the length of time the policy had been in force.

The Annual Payment

By the payment, in advance, of $60, the insured, in case of sickness or accident, is paid $25 per week by the company and $7,500 in case of death. In giving these policy costs, the amount is not arbitrary, as, if the insured's income permits, a much larger policy may be taken out. The price of the two plans is given to illustrate how unnecessary it is for the average man or woman to be without these financial safeguards.

The benefits under the latest forms of contracts, are numerous, covering monetary reimbursement for loss of time, loss of eyesight and limbs, while some policies pay indemnity for a lifetime, for permanent disability as a result of accident or injury.

A New Feature

One of the new features is what is termed a hospital indemnity which increases the amount the company pays the policy holder from 50 to 100% in case the accident is serious enough for the patient to be cared for at a hospital.

In many of the policies the companies double or treble the benefits where the injuries are sustained under certain conditions.

It is understood that the companies issue health and accident insurance only to the extent of four-fifths of a man's earnings. There is a tendency to raise rates on this class of policies, especially the portion covering health risks, for the reason that the claims are becoming more numerous.

The rates for this class of insurance are made on the basis of information obtained from the companies' records of past experience. Settlements are usually made as soon as final proofs are filed with the companies. Some contracts provide for monthly payments of claims, which is a desirable feature, in so far as the working man is concerned.

Many years ago the first policies of this character were very crude affairs and highly objectionable from the standpoint of the insured, for the reason that they included many limitations. The latest contracts, issued by the leading companies, are free from these exceptions and are issued on a most liberal basis.

With the wide range of contracts issued by the various companies, every situation is met. The easy payments, which are permitted on a monthly basis, are satisfactory to the employee of small means, while the yearly payments, when so made, acquire a larger indemnity by reason of such payments.

The companies issue these policies to business women, putting them on the same par with the men, and they are able to derive the same benefits.

THE KIND WHO NEED HEALTH INSURANCE

Sedalia, Mo.

Editor, The Magazine of Wall Street.

Sir: I have been able to take out a fair amount of life insurance and have a good position, and with a family of three am able to save just a little each month, which I am putting into Liberty Bonds at the present time through Savings Stamps, etc.

Matters seem to be going all right, but I am always haunted with the thought of what might happen if I were taken sick. My salary might go on and it might not. Is there not some form of policy that will insure a person against such a contingency? I know there is accident insurance, but I am particularly interested in some sort of insurance that would tide me over in case I became ill, where my family would be sure of an income while I was incapacitated.

A. H. B.

WHAT DOES THAT MEAN?

An Explanation of Familiar Terms Whose Meaning Is Not Generally Understood

FIXED CHARGES—This refers to such charges that a corporation must meet at regular stated intervals during the year upon penalty of serious consequences, such as receivership or reorganization. Fixed charges usually comprise bond interest, debenture interest, sinking fund requirements (for explanation of latter see next paragraph), all taxes, salaries, wages, and operating expenses. When fixed charges are fully met and paid, the balance left over is the operating surplus—but not the net surplus. The corporation must then make ample provision for depreciating of its properties, allowances for bad or doubtful debts, and set aside reasonable reserves for contingencies to meet the unforeseen. The balance is known as "the amount available for dividends." Out of such balance, the corporation apportions firstly the preferred dividends (if any), and then pays reasonable dividends on its common stock if circumstances justify it. The balance left over after paying dividends is the actual net surplus the corporation can rightfully add to its previous surplus, or "plow in" as it is called in Wall Street.

SINKING FUND—Along with its fixed charges (explained above), requirements for the sinking fund are a serious obligation of any corporation. Not all corporations have bond or preferred stock issues that involve the working of a sinking fund. A sinking fund is used more often in connection with paying, canceling, or reducing the amount of, a corporation's bonds and sometimes its preferred stock. The majority of bond issues put out by conservative corporations contain provisions that so much money be set aside each year for buying in, redeeming, or cancelling a certain percentage of the original amount issued. A bond is a much better one for having that obligation on the corporation; and where the balance sheet shows that the corporation has been observing its sinking fund requirements, it is a greater assurance that both the bond and corporation are safe. Sometimes preferred stock issues have a similar requirement, and it is through the operation of the sinking fund that whole issues have been redeemed and wiped out. Such a preferred stock put out by a big strong company is also stronger for the sinking fund provisions, because as a rule preferred stock is often redeemed in this way at a substantial premium, of from $5 to $25 above the par value. There is no fixed rule on the subject. The investor should get precise information from the corporation, over the signature of the president or treasurer.

INTEREST AND DIVIDEND REQUIREMENTS—A corporation is compelled to meet its fixed charges, which includes all bond and debenture interest. Note that although a debenture bond is not necessarily a "mortgage" yet it is no different from a mortgage bond so far as interest payments and its maturity is concerned. Interest charges must be paid. These should not be confused with dividends. "Interest" represents the fee or reward of a creditor for lending his money, and he is absolutely entitled to it and can insist upon it, or force the corporation into receivership if it fails to pay. A dividend—even a preferred dividend that is payable upon cumulative preferred stock—is a share in the profits, and the stockholder, who is no better than one of thousands of partners, cannot demand his share if the directors (who are the managing partners) decide that the corporation cannot or should not distribute anything in any one year. Of course, in the case of cumulative preferred dividends, the common stockholders can get no dividends (their share of the profits) until not only preferred dividends are paid, but also any accumulations of dividends in arrears. Obviously one would not be investing who bought a common stock where dividends on the preferred issue are very large, and particularly where they are in arrears.

Public Utilities

Bonds and Stocks

Twin City Rapid Transit Co.

One of the Few Successful Traction Companies

The Twin City Rapid Transit Co. Has Weathered the Worst Period in Its History Without Showing a Deficit—Resumption of Dividends on the Common Seems to Indicate That the Management Expects a Decided Improvement

By J. L. CHEATHAM

THE branch of our public utilities which has suffered the most during recent years is the street railways. Most of the traction companies in dealing directly with many individuals are, in reality, conducting a retail proposition, and consequently have to contend with the petty prejudices of these individuals. Hence such corporations have in a large measure been deprived of the more stable conditions afforded by furnishing big blocks of power, which have enabled the light, heat and power companies with their large contracts for service, to weather the trying conditions of the past few years.

These street railway concerns are compelled to own and maintain an excessive amount of equipment to move the peak load, and this equipment is used to its best advantage only a limited number of hours during the day, and as a rule operates at capacity only in one direction. This low-load factor—the varying density both as regards the time of day and the zones of operation—has enabled the autobus to make heavy inroads in both the gross and the net revenues of these companies. The buses usually take the "cream" of the traffic, i. e., where the traffic is densest and where short-hauls predominate, and thus leave the traction lines to conduct the less profitable business. If the motor buses were made to haul all the traffic the street railways are required to haul, their service, in all probability, could not be successfully conducted for any lower prices than are now charged by the traction corporations.

The present census is showing enormous increases in urban population, and during the past decade there has been but little increase in traction mileage, which has resulted in a stunted growth and insufficient facilities. The electric railway industry bears vital relation to city development and to land values, and any impairment in its service or any curtailment in expansion is quickly reflected in such values.

Conditions had continued to go from bad to worse until the national authorities considered the situation so critical that the Federal Electric Railway Commission was established with powers to thoroughly investigate the situation. It is interesting to note the recommendations which this body made to the President on August 24 last, since they clearly indicate the lines along which the authorities hope to work for the rehabilitation of this huge enterprise. The following represent the principal conclusions and recommendations of the commission, and these were made after a most complete investigation, which lasted more than a year.

RECOMMENDATIONS OF THE FEDERAL ELECTRIC RAILWAY COMMISSION

(1) The electric railway furnishing transportation upon rails is an essential public utility, and should have the sympathetic understanding and co-operation of the public if it is to continue to perform a useful public service.

(2) The electric railway has been, and will continue to be, a public utility subject to public control as to the extent and character of the service it renders, and as to the rates it charges for such service.

TABLE.

Year		No. Times Bond Int. Earned	Preferred Stock % Earned	Preferred Stock % Div. P'd	Common Stock % Earned	Common Stock % Div. P'd	Surplus
1919	....	1.70	26.28	7	2.63	—	578,388
1918	....	1.71	23.04	7	2.19	2	41,302
1917	....	2.40	51.27	7	6.04	6	8,050
1916	....	3.21	74.58	7	9.22	6	707,548
1915	....	2.60	57.07	7	6.83	6	182,350
1914	....	2.91	62.92	7	8.05	6	427,127
1913	....	2.70	58.27	7	8.60	6	232,255
1912	....	2.73	56.80	7	7.44	6	290,735
1911	....	2.68	55.61	7	7.25	6	252,348
1910	....	2.18	55.38	7	7.22	6	245,552

(3) It is of the highest importance that both the total cost of the service and the cost to the individuals who use it shall be kept as low as possible without injustice to those who take part in producing it.

(4) The electric railway as it now exists, is without financial credit, and is not properly performing its public function.

(5) This condition is the result of early financial mismanagement and economic causes, accentuated by existing high price levels of labor and materials, and of the failure of the uniform unit fare of 5 cents prescribed either by statute or by local franchise ordinances or contracts to provide the necessary revenues to pay operating costs and to maintain the property upon a reasonable basis.

(6) The industry can be restored to a normal basis only by the introduction of economies in operation, improving its tracks, equipment and service, and securing a reasonable return upon the fair value of its property used in the public service when honestly and efficiently managed.

(7) The electric railways must expand to meet the growing needs of their communities; therefore, the first essential is to restore credit in order to obtain necessary capital for the extension and improvement of service.

(8) Restoration of credit involves a readjustment of relations which will remove public antagonism, provide public co-operation, and insure to the investor the integrity of his investment and a fair rate of return thereon.

(9) Effective public co-operation should be exercised by eliminating, in so far as it is practicable, special assessments for sprinkling, paving and for the construction and maintenance of bridges which are used by the public for highway purposes.

(10) Extensions into new territory resulting in special benefits to the property in that vicinity should be paid for by assessments on such property in proportion to the benefits received, and that the amount of such assessments should not be added to the physical value of the corporate property.

(11) The great increase in the use of private automobiles, the jitney and motor busses, has introduced a serious, although not fatal, competition to the electric railway. These forms of public motor conveyance when operated as public carriers should properly be subject to equivalent regulatory provisions.

(12) The full co-operation of labor is essential to the highest prosperity and the usefulness of the industry. The employees engaged in this occupation should have a living wage and humane hours of labor and working conditions. They should have the right to deal collectively with their employers, through committees or representatives of their own selection. All labor disputes should be settled voluntarily or by arbitration, and the award of such a board should be final and binding upon both parties. It is intolerable that the transportation service of a city should be subject to occasional paralysis, whether by strikes or by lockouts.

(13) A private industry should not be subsidized by public funds, unless it is imperatively necessary for the preservation of an essential service, and then only as an emergency measure.

(14) Unless the usefulness of the electric railways is to be sacrificed, public control must be flexible enough to enable them to secure sufficient revenues to pay the entire cost of the service rendered, including the necessary cost of both capital and labor.

(15) There can be no satisfactory solution of the electric railway problem which does not include the fair valuation of the property employed in the public service, and where that is done, the companies should voluntarily reduce any capitalization to the basis of such value.

(16) There is no insuperable objection to a large wide-awake city having exclusive jurisdiction over the rates and services of public utilities.

(17) The necessity for scientific and successful regulation of systems, whether large or small,

and especially those which operate through several cities and villages and in rural territory, leads to the conclusion that local regulation should generally be subject to the superior authority of the State, whether as a matter of original jurisdiction or through the medium of appeal.

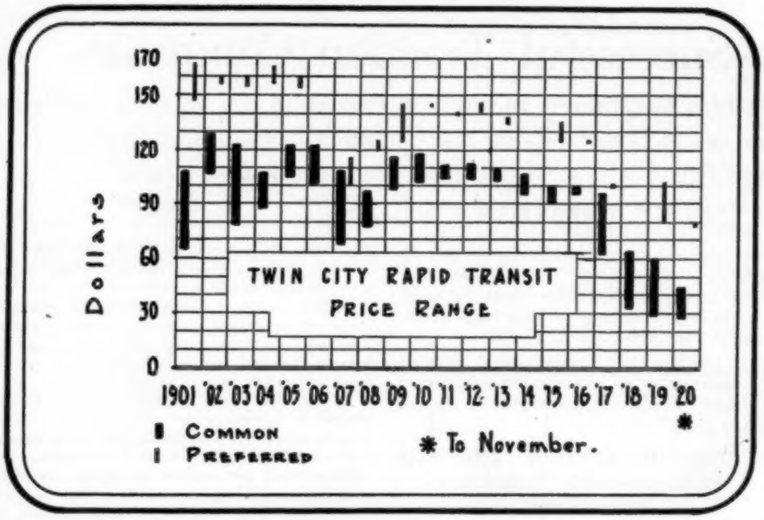
(18) Cost-of-service contracts are in the experimental stage, but where tried, they seem to have secured a fair return upon capital, established credit, and effected reasonably satisfactory public service. Such contracts may safely be entered into where the public right to eventually acquire the property is safeguarded.

(19) The right of the public to own and operate public utilities should be recognized, and legal obstacles in the way of its exercise should be removed.

(20) While eventually it might become expedient for the public to own and operate electric railways, there is nothing in the experience thus far obtained in this country which will justify the assertion that it will result in better or cheaper service than privately operated utilities could afford if properly regulated.

(21) Public ownership and operation of local transportation systems, whether or not it be considered ultimately desirable, is now,—because of constitutional and statutory prohibitions, financial and legal obstacles, the present degree of responsibility of our local governments, and the state of public opinion,—practicable in so few instances, that private ownership and operation must as a general rule be continued for an extended period.

(22) If the reforms incident to public regulation which we suggest in this report should not result in making private ownership satisfactory to the public, such reforms should at least enable public ownership to be established upon a just and equitable basis.



Twin City Rapid Transit's History

The Twin City Rapid Transit Company was incorporated in 1891 as a holding company, and by virtue of its stock ownership of the underlying companies (Minneapolis Street Rwy. Co., St. Paul City Rwy. Co., Minneapolis, Lyndale and Minnetonka Rwy. Co., Minneapolis & St. Paul Suburban R. R. Co.) it operates and controls the entire street railway system covering Minneapolis, St. Paul and Stillwater. This system is well-equipped and enjoyed the reputation of being one of the most progressive electric transportation companies in the United States, and its equipment and service were the best that money, skill and consideration for patrons could provide. Every known device for the comfort and safety of passengers was employed; the tracks are unusually heavy and smooth and the cars, built by the company in its own shops, are of the most modern and expensive construction. Not only are the services in the cities extensive, but several interurban lines connect the "Twin Cities" with a great surrounding territory. Abnormally large sums have recently been expended for maintenance of both track and equipment, and it is planned to have the various properties soon restored to the excellent physical condition in which it has heretofore been kept.

At the beginning of the present year, the road consisted of 453 miles single-track equivalent, including four interurban lines, connecting the business centers of Minneapolis and St. Paul, an interurban line of 22 miles connecting St. Paul and Stillwater, and lines to Lake Minnetonka. The track is standard gauge, and on the principal streets of the cities 90-lb. T-rails are laid with welded joints.

In order to facilitate the handling of traffic and effect economies in operation, the directors decided if the city government will co-operate, to use some of the renewal funds for improvements in the equipment and the construction of certain lines, which will expedite traffic and somewhat relieve congestion.

This step was decided upon for the reason that the directors still have faith that the public will ultimately appreciate their efforts, and with that in view feel that as far as lies in the company's power the property should be kept in the best possible operating condition.

The company has a large steam power plant and 12 sub-stations, and in addition leases big blocks of waterpower at St. Anthony Falls. To provide coal for its steam plant, a contract was entered into about two years ago whereby provision was made for the opening of a coal mine in Illinois, and from this mine the company obtains its supply of steam coal at cost of production, which is much below the prevailing market price.

A fleet of twelve express boats has been established by the company between Excelsior, the terminus of the electric line, and other points on Lake Minnetonka, and this makes a very important addition to its services.

The present authorized and outstanding capital stock consists of $3,000,000 7% cumulative preferred and $22,000,000 common stock. While there is no direct funded debt, the outstanding bonds of controlled companies amounts to $20,213,000. The preferred dividends have been paid regularly since organization, and the common has had irregular disbursements. However, from 1910 to 1917, inclusive, the dividends on this junior issue were maintained uniformly at 6%, but in 1918 and 1919 the operating conditions were so bad that the dividend was at first cut and then later passed. At the beginning of the present year the directors declared a dividend of $2.50 on the common stock, and although no further disbursements have been made since then, the resumption of payments on this junior issue would seem to indicate that the management feels the worst is over and that from now on conditions should continue to improve.

Territory Served

As emphasized in these articles, the territory in which a public utility corporation is located has a most vital influence on the earnings and success of that utility.

The district which this company serves embraces a rich and prosperous region. St. Paul, the capital of the State, is the United States internal revenue collecting point for the Northwest, and the meat-packing trade of this section is strongly centered there. For many years, as head of navigation on the Mississippi, the city enjoyed enviable advantages in transportation, and easily won precedence in the wholesale trade.

Minneapolis, the other of the "Twin Cities," is contiguous to St. Paul for half its length on the eastern boundry. This city was founded by men who sought to utilize the power of St. Anthony Falls for milling. The lumber industry, at first of prime importance, gave its place to flour milling upon the introduction of patent devices that made it possible to manufacture flour quickly and cheaply, and this latter industry has so increased in importance that Minneapolis is now the chief flour milling city in the world. By its situation near the great American grain fields, it has become the greatest primary wheat market in the world, its elevators having a capacity of over 52,000,000 bushels. The second industry of importance is the manufacture of machinery, especially of gas tractors and other farm implements, and the third is lumber, with the associated woodworking crafts. There are many other industries of growing importance; in fact, the outstanding feature in Minneapolis is the increasing diversity of its business.

By virtue of its position, Minneapolis early became a railroad center, and the completion of the government dam in the Mississippi River makes this city the head of navigation on the river, and has already

persuaded the authorities to construct wharves suitable for the landing of freight from barges. Minneapolis is a powerful financial center, and not only serves to finance the crop moving, but also to guide capital into the best channels of investment.

This active and rapidly developing country should have a most pronounced effect on the successful operation of the company's business and the system of trolley lines which is being continually developed, promises to greatly increase the trade of the city with its immediate territory.

Conclusion

The new rates of fare granted the company's subsidiaries should provide sufficient revenue to meet the immediate situation.

After various proposals and counter-proposals had been made, the Minneapolis Street Rwy. Co. in June, 1919, accepted the offer of the City Council of a 25-year cost-of-service franchise based on a valuation of $24,000,000. However, the franchise, which provided for a return of 7% on the above valuation, was defeated by the voters at a special election in December of that year. On August 16, 1920, an emergency ordinance became effective authorizing the company to charge a 6-cent fare until December 15, 1920, and a 7-cent fare with four tickets for 25c. thereafter.

The people of St. Paul, on May 4, 1920, voted in favor of a sliding scale of fares with a maximum rate of 7 cents per passenger. The rate-fixing power was vested in the City Council, but fares were not to be raised above the old 5-cent rate until the company furnished the service provided for in the ordinance. This the company could not do so last September a new ordinance became effective providing for a 6-cent fare.

To meet the necessary improvements and additions for keeping the street car service up to the needs of the various communities throughout the country has required an increased rate, and the increases which have been granted have not, as a rule, been out of proportion to the increase in wage scale. This fact is not generally understood, and when the normal rate of fare is increased there is usually some reduction in the volume of riding. However, in cities where an increase in fare has been in effect for a reasonable period, the volume is gradually returning to its pre-war basis. The public is entitled to and will insist on reasonable rates, but it is willing to pay for good service.

The general public realizes that a complete and unified system of transportation is an essential without which the business of the community must cease. Such a service to permit the greatest development, especially in large and complex communities, must primarily depend upon the use of tracks in public streets, on elevated structures or in subways.

Material progress is being made toward readjustments, and the street railway systems are slowly but surely securing financial relief and improving their methods of operation which, especially among the stronger concerns, promise ultimately to bring satisfactory results.

The situation is gradually improving, due not only to the increase in fares granted, but also to the drop in prices of materials needed in the operation and maintenance of the roads, and thus the street railway securities should gradually increase in value and again be recognized as one of the most desirable forms of investment.

The preferred stocks of the Twin City Rapid Transit Co. and the bonds of its subsidiary companies make good investments, and the common stock of this corporation offers speculative possibilities.

While this company together with several others has a hopeful outlook, there are many traction concerns which require drastic local adjustments before their securities are brought into a position warranting the investment of funds, and consequently great care should be used in the selection of investments of this class.—Vol. 26, p. 557.

REMAINING RAILROADS REPORT RESULTS OF SEPTEMBER OPERATIONS

(Continued from page 91)

basis of 1919 charges and other income, September was at the rate of about $13 a share on both classes of stock, which shared equally over 10%.—vol. 24, p. 42.

Chicago Great Western made a very unfavorable showing in both gross and net. The former showed practically no increase over 1919, while the net of $25,346 would cover only a minor fraction of charges.

In the Southwestern region the returns were generally favorable. Gross revenue of **St. Louis Southwestern** increased from $1,901,854 to $2,960,434. Net operating income of $607,740 was at the annual rate of about $6,000,000. This road has been operating for its own account since March 1, and for the seven months to October 1 actual net was $3,200,000. September net was at the rate of about $18 a share on the common stock. —vol. 26, p. 825.

St. Louis-San Francisco is another road that made an excellent showing. Gross of $9,796,876 compared with $7,750,660 in 1919, while net operating income for the month was $2,013,179. This was at the annual rate of about $20,000,000 compared with rental of $13,415,819. On the basis of September weighted for seasonal fluctuations of traffic, income bond interest was earned more than four times and the surplus was at the rate of about $12 a share on the common stock.—vol. 26, p. 684.

Kansas City Southern increased its gross from $1,478,984 to $2,368,191 and saved $669,852 for net. This would be at the rate of about $6,500,000 compared with $3,535,427 rental. September indicated an annual rate of about $14 a share on the common stock.—vol. 24, p. 1109.

Gross revenue of **Missouri, Kansas & Texas** increased from $5,973,575 to $6,714,619, and $1,015,175 was saved for net. This was at the rate of about $11,000,000 compared with rental of $6,475,604 and would indicate about $3 a share on the common stock.—vol. 24, p. 932.

Texas & Pacific made the weakest showing in its territory. Gross showed a gain of about 10%, and the net of $310,654 would be at the annual rate of about $3,000,000 compared with rental of $4,107,432. Thus, September indicated about 3.8% earned on the $25,000,000 second mortgage 5% income bonds.—vol. 26, p. 317.

INDEX NUMBERS OF THE WORLD'S WHOLESALE PRICES

	United States	United Kingdom	France	Italy	Sweden	Japan
1913	100	100	100	100	100	100
1914	100	101	101	95	116	96
1915	101	126	137	133	145	97
1916	124	159	187	202	185	117
1917	174	206	262	299	244	149
1918	197	226	339	409	339	197
1919						
July	218	243	349	359	320	247
December	238	276	423	455	317	288
1920						
January	248	288	487	504	319	301
February	249	306	522	556	342	313
March	253	307	555	619	354	321
April	265	313	584	679	354	300
May	272	305	550	659	361	272
June	269	300	493	614	366	248
July	262	299	492	613	364	239

PRICES FALLING EVERYWHERE

The high cost of living is coming down throughout the world with the exception of Australia, says Oswald F. Schuette in *Leslie's Weekly*. Even there it is slipping. It reached its high water mark in Japan in March, 1920; in the United Kingdom, France, and Italy in April; in the United States, Canada and India in May; in Sweden in June. Officials at Washington have compiled wholesale price statistics covering the globe so far as these are available. The most important of the statistics are shown in the above tables. This table is based upon the wholesale prices which prevailed in 1913.

United Railroads of San Francisco

Recent Election Centers Interest on U. R. R. 4s

Approval by Public Utilities Commission of Reorganization Plan Momentarily Expected—Securities to Be Issued Under This Plan Evaluated—Market Street 5's Also Appear Attractive

By PALMER CLINGMAN

SENTIMENT which has long been favorable in San Francisco to the acquisition of the United States Railroad property by the city has finally resulted in a workable plan recently carried by a vote of two to one.

At the November election, the citizens of San Francisco voted to add a new section to the city charter, providing for the acquisition by vote of the people of any public utility, payment therefor to be made out of the earnings of the company so purchased. A subsequent election must be held to ratify the purchase figure, now the basis of negotiation, to complete the transfer of the United R. R. property to the city of San Francisco.

The United Railroads Company operates an extensive street railway system in San Francisco, comprising some 15 miles of cable lines and 257 miles of electric line. In addition to the service provided by the United Company, there are municipal lines in the city which in some districts parallel the United lines. In Market Street the municipal lines and United lines both operate for a distance of 4½ miles.

The Reorganization Plan

In 1916, the company found itself unable to refund certain maturing underlying bonds and in order to forestall foreclosure proceedings by these bondholders, withheld interest payments on the United R. R. 4s. At the same time, several plans for reorganization were submitted, one of which, being adopted, provides for the transfer of the property to the Market Street Railway which thereby becomes the operating company. Under this plan an exchange of existing securities was provided for as shown in Table I.

TABLE I.

Present Capitalization		New Capitalization
Matured Underlying Bonds:		
1,800,000 Market St. Cable Ry.	all exchanged for	5,200,000 notes; 520,000 cash
400,000 Ferries & Cliff House Trading		
2,000,000 Omnibus Cable Co.		
1,000,000 Sutter St. Ry.		
7,098,000 Market St. 5s of 1924	undisturbed	7,098,000 Market St. 5s
28,500,000 UNITED RR GEN 4s OF 1927	15% exchanged for	3,525,000 Market St. 5s (additional issue)
	50% " "	11,750,000 Prior Pref. Stock (new)
	5% " "	1,175,000 1st Pfd Stock (new)
	10% " "	2,350,000 2d Pfd Stock (new)
	20% " "	4,700,000 Common (new)
1,925,000 United RR 7% Notes	all exchanged for	3,825,000 1st Pfd Stock (new)
740,000 6% Notes		2,350,000 2d Pfd Stock (new)
1,000,000 5% Notes		6,000,000 Common Stock (new)
5,000,000 Pfd		
20,000,000 2d Pfd		
17,948,000 Common		

This plan of reorganization is likely to go into effect in the near future, as over 95% of the holders of United R. R. 4s. have assented and have deposited their bonds with the Equitable and Union Trust Companies of New York and San Francisco.

The future of the reorganized United Railroads should be favorable, if we may base our predictions on the present attitude of the citizens of San Francisco, for Californians are rapidly realizing the importance of adequately compensating their utilities. These views are perhaps most aptly expressed by the Hon. Edwin O. Edgerton, President California Railroad Commission, in a recent address as follows:

". . . Adequate compensation must go to those who have invested in utilities and to those who are managing them, because it is of tremendous public interest that these great institutions be financially sound, and they cannot be financially sound except adequate revenues be produced to carry them forward. . . .

"I believe that fundamentally these enterprises have the very finest of security to offer the investor—more than the mere physical plant upon which the mortgage or trust deed may rest to secure the bond issue; but beyond that there is the absolutely essential service to the people as a part of the security that the investor may look to; an assurance of the fact that there will be no liquidation of the properties. When we realize, broadly speaking, that every human being in California almost hourly and daily relies upon some public utility service, that to every household in California goes public utility service, that our present civilization could not exist except these public utility services be maintained with reasonable continuity, it then must be realized that these services must continue, that they cannot be liquidated out of existence, that the service cannot be withdrawn; and that therefore the investor can contemplate that he is investing in a business which of necessity is permanent; and it seems to me that he may fairly contemplate that the security for his investment is greater than the security in any other private activity."

The Values Behind the U. R. R. 4s

In view of the possible purchase of the property by the city of San Francisco, an estimate of the worth of the United R. R. 4s in case of sale is of great interest, due to their present low market value and the possibility of their appreciating by reason of sale. Likewise an estimate of the value of the exchangeable securities for the 4s under the reorganization plan, in case there is no sale, will be of interest.

Four plans have been evolved for estimating the liquidated value of the 4s in case of sale, and also an estimate of the market value, based on current earnings,

(*Continued on page* 131)

TABLE II.—INCOME ON 1920 BASIS APPLYING TO NEW ESTIMATED CHARGES.

	Charges & Div. Requirements	Amounts Available	Times Earned	Market Estimated: Basis	Market Estimated: Corresponding Price
6% Notes	312,000	2,300,000	..	..	....
Market Street 5s	500,000	1,988,000	4.0	9	88½*
6% Prior Pref. Stock	705,000	1,488,000	2.1	10	60
6% First Pref. Stock	300,000	783,000	2.6	12	50
6% Second Pref. Stock	282,000	483,000	1.7	14	42.5
Common	......	200,000	..	Nil	5

*The estimated market price is based on assumed value as a going concern when reorganized and when present difficulties are removed, in which case it is perfectly fair. The current market price of the Market Street 5s, of course, reflects the embarrassment which has resulted in the necessity for reorganization.

TABLE III.—ESTIMATED MARKET VALUE.

United R. R. 4s			Junior Securities	
3,525,000 Market St. 5s	@ 88½—	3,120,000		
11,750,000 P. P. Pfd.	@ 60	7,050,000		
1,175,000 1st Pfd.	@ 50	588,000	3,825,000@50—	1,912,500
2,350,000 2d Pfd.	@ 42½	1,000,000	2,350,000@42½	1,000,000
4,700,000 Common	@ 5	235,000	6,000,000@ 5	300,000
		11,993,000		3,212,500

TABLE IV.—UNITED RAILROADS OF SAN FRANCISCO 4s OF '27.

Liquidated Value Estimate	Sale at $40,000,000	Sale at $45,000,000	Sale at $50,000,000
Plan No. 1: Securities liquidated from top down, no reorganization	100	100	100
Plan No. 2: Securities liquidated from top down, reorganization plan in effect	85	94.5	100
Plan No. 3: Securities liquidated on basis of equity of securities derived from hypothetical market value estimated from 1919 earnings applied to reorganized capitalization	98	100	100
Plan No. 4: Securities liquidated on basis of junior equity at par ranking pro rata with bond equity at par, reorganized plan in effect	77.5	91.5	100

Mining

Tennessee Copper & Chemical's Plant at Copperhill, Tenn.

Tennessee Copper & Chemical Corporation

Tennessee Copper's Outlook More Favorable

Settlement of Litigation and Increased Production Reflect Improvement—Good Contracts Placed

By C. S. HARTLEIGH

THE Tennessee Copper & Chemical Corporation, which has struggled for years against severe handicaps both from an operating as well as a financial standpoint, now gives promise of gradually working out its problems.

Most of the claims against the company were satisfactorily settled in 1916, and a suit with the Russian government was disposed of in the Fall of 1918. Officials state the company is now free from litigation.

The company owns over 12,000 acres and leases about 270 acres of timber and mineral lands in Polk County, Tennessee. The Polk County mine is held under lease, on a royalty of $7.50 per ton of copper content, which amounts to approximately 12½ cents per ton of ore.

Treasury Supplied with Funds

The treasury of the Tennessee Copper & Chemical Corporation had been supplied with ample funds as a result of the new financing. At the end of 1919 the company's consolidated balance sheet showed current assets amounting to $6,255,097, and current liabilities aggregating $1,022,399, or an indicated net working capital of $5,232,698.

The first of the new money raised through the new financing was used to settle litigation and pay off all claims against the company and its subsidiary. The further capital raised through the sale of the new shares was used in part in the purchase of valuable phosphate rock properties for its new fertilizer enterprise, in part for the construction of its Atlanta plant, and the balance was invested in United States Liberty Bonds and United States Certificates of Indebtedness until such time as it might be needed to finance the company's operations.

The company's contract with the International Agricultural Corporation, providing for the delivery of acid at $4.81 a ton, has been a great handicap. Fortunately, during the past two years, the company has been able to secure adjustments in this contract which have brought the average price of its acid under the contract up to around $6.50 a ton, according to statements of its officers. The contract terminates on December 31, 1920, and thereafter the company will be in a position to sell its acid at current market prices, which at this time are about $12.50 a ton.

Acid Production Growing

The company's acid production during the present year will be far in excess of previous performance, and probably about 325,000 tons or more. Assuming a ready market for this acid, it is apparent that operations which were formerly conducted at a loss, may be converted into a source of substantial profit.

The establishment of the company's fertilizer enterprise, under the new subsidiary, the Southern Agricultural Chemical Corporation, not only is advantageous because of a growing demand for fertilizer in the country, but provides an ideal outlet for the company's acid. The company has two modern acid plants, and the officers state that the company has made three-year contracts from January 1, 1921, with three large fertilizer companies, for the delivery of acid at prices far in excess of present prices.

Acid phosphate is selling at $20 to $22 a ton in bulk, and about $30 a ton in bags. The company plans to sell 100,000 tons per year, the capacity of its present plant, and in the opinion of the officers this tonnage may be materially exceeded.

During the latter half of 1919, unfavorable labor and operating conditions were overcome, with a consequent increase in output and reduction of costs. It is of interest to point out that on a considerably smaller tonnage handled, the cost per ton of ore mined and smelted in 1919 increased less than 65% as compared with 1914, while during the same period the cost of labor, coal, coke and other supplies increased from 125% to 200% or more.

Shares in Better Position Now

In view of these new developments in the company's affairs, which should begin to give an account of themselves during the coming year, it is probable that the shares of the holding company will offer more attractive speculative possibilities than we indicated in our last review.

The company's stock has been quoted recently at a price between $8.75 and $9 a share, or a little lower than at the time of our last review. It is speculative, but worth watching in view of probable better times ahead.—vol. 26, p. 702.

GOLD POSITION OF THE U. S.

Today the United States is buying more from South America and the Far East than it is selling. It is selling more to Europe than it is buying largely because Europe cannot produce an equivalent, and it is unable to use its European credits to pay its South American and Far Eastern debits. Being the only free gold market in the world, as a result it has been shipping more gold than it has received, the net loss in gold from January 1, 1919, to April 1, 1920, having been $361,243,000. At the same time it requires more gold for its own reserve because it takes a far greater amount of money to finance the same production than was formerly true, due to the millions of hours of labor which have been wasted and the reflection of this situation in the higher cost of production. For instance, while the deposits in National Banks at the close of the war were $10,000,000,000, they later rose to about $16,000,000,000, largely through the increase of loans, and the reserves required were proportionally augmented.—Fred I. Kent, vice-president, The Bankers Trust Co.

Seneca Copper Corporation

Seneca Still in Development Stage

Recent Gyrations in the Stock Not Easily Accounted For—"Long-Pull" Outlook Seems Quite Promising

By JOHN T. WINDSOR

A NEWCOMER, just listed on theStock Exchange, Seneca recently gave the rather remarkable exhibition of advancing steadily while the rest of the copper stocks have declined. By virtue of this performance, Seneca finds itself unanimously elected to the select list of "mystery" stocks.

Seneca Copper Corporation is the only new development proposition in the Lake Superior district for many years. It is located in the heart of the famous copper country of Michigan and nearby are some very rich producers, such as the Calumet & Hecla properties, including Ahmeek, Mohawk and others of the same class. This region is unique because of the fact that copper is found here in the rock in the pure state, thus requiring only crushing, concentrating and refining in order to be made ready for market purposes, whereas in the West, the process is much more complicated on account of the presence of sulphides in the Western ore.

Copper produced in this district shows greater tensile strength than the Western stuff and generally commands a premium of 3/10 to 3/5 cents per pound over the price for ordinary electrolytic in the New York market. Thus, on the score of its general location, Seneca seems assured of favorable results.

What Seneca's Properties Are

Seneca owns in fee 1,880 acres of mineral land and 347 acres suitable for a mill site, both properties being located in Keweenaw County, Michigan. A railroad is being built from the mine to the mill site, which is on the shores of Lake Superior.

The company also has 600 acres of mineral land south and east of the Seneca properties and controls this land through ownership of 80% of the stock of the Gratiot Mining Co. This stock was bought from Calumet & Hecla, with which Seneca agreed to pay for the stock on the following basis: $15,000 payable Dec. 1, 1920, Dec. 1, 1921, and Dec. 1, 1922, respectively; $50,000 payable Dec. 1, 1923, and $360,000 payable Dec. 1, 1924. Under these provisions, Seneca is given the opportunity to pay for the stock from dividend profits it may make from the operation of the Gratiot property.

Large-Scale Production Contemplated

As stated above, Seneca is located in a very productive district and developments have satisfactorily demonstrated that the company possesses important quantities of rich mineral rock. Running through both the Seneca and Gratiot properties is the famous Kearsarge Lode, which is the same vein that made Ahmeek and Mohawk the wealthy producers they are today. Seneca, as a matter of fact, is located between the Ahmeek and Mohawk properties.

Various shafts have been dug, and in so doing the Kearsarge Lode has been passed, showing at different intervals a width of 14 feet. The lode itself extends for nearly two miles through the company's properties, which gives a good idea of the amount of copper under the surface of Seneca and Gratiot land.

Early tests proved the copper content to be exceptionally large. The first mill tests in the early part of the year showed 46.88 pounds of mineral per ton of stamped rock. Upon extraction by the smelter this showed an actual refined content of 28-32.8 pounds per ton of rock. That this is exceptional is brought out by the fact that Ahmeek and Mohawk average only 23-25 pounds per ton.

SENECA COPPER'S BALANCE SHEET AS OF JULY 1, 1920

ASSETS		
Mining property		$2,006,200.48
Mill site and railroad right-of-way		35,224.50
Plant, machinery and buildings		236,554.09
No. 1 shaft and lateral development		755,512.30
Materials and supplies on hand at cost		111,293.32
Cash with banks and bankers:		
Set aside for completion of mine development		312,158.00
Set aside for current expenditures		64,146.53
U. S. Liberty Bonds		464.49
Accounts receivable		851.55
Gratiot Mining Company:		
Notes receivable		50,322.06
Stock investment		25,000.00
		$3,600,737.62
LIABILITIES		
Stated capital authorized 250,000 shares (no par value)		$1,250,000.00
Issued and outstanding 200,000 shares	$1,000,000.00	
Reserved for conversion Convertible Debenture: Bonds, 25,000 shrs.	125,000.00	
Unissued, 25,000 shares	125,000.00	
Capital surplus		1,750,000.00
Five Year 8% Convertible Debenture Bonds (due Apr. 15, 1925)		500,000.00
Notes payable		26,010.09
Accounts payable		41,965.58
Reserve for contingencies		32,762.04
		$3,600,737.62

Of course, these are first mill tests and average results may well be lower. However, even if the company can get only 20 pounds of refined copper per ton of rock, ultimate results should be satisfactory.

The company eventually plans for production at the rate of 4,000 pounds of rock daily. Compare this with Ahmeek, which never got out more than 2,500 pounds of rock per day and yet has paid $11,500,000 in dividends. If Seneca can produce 4,000 tons of rock daily, with an average copper content of 20 pounds per ton, on the basis of a 5-cent profit per pound, it should realize a daily profit of about $4,000 or approximately $1,000,000 a year.

However, it will be a long time before Seneca can produce any such amount. The company is still in the development stage. Immediate plans call for a production of between 9,000,000 and 10,000,000 pounds of copper per year. With a profit of 5 cents per pound, this would mean annual profits of about $500,000. Even the immediate goal of the management looks far off, however, as it will take time and money before this development proposition can inaugurate a 10,000,000 pound annual production.

Capitalization

Seneca was incorporated in 1916 to take over the Seneca Mining Co., which was previously held by Calumet & Hecla. The complete ownership and control of Seneca Mining was acquired in 1918 and this company was dissolved, its operations being continued by the Seneca Copper Corporation.

The outstanding capitalization of the company consists of 200,000 shares of capital stock of no par value. Its funded debt consists of $500,000 5 year 8% convertible debenture bonds dated April 15, 1920. These bonds were issued for the purpose of pushing development plans and also to acquire new equipment. The bonds are convertible into common stock on the basis of 5 shares of common for every $100 bond. This makes conversion profitable at above 20, which possibly explains the unusual activity of the stock in recent weeks at 22-23. In addition to the 200,000 shares mentioned above there are 25,000 shares reserved for the purpose of converting the convertible debentures. There are also 25,000 shares unissued and held in the company's treasury, making the total authorized capitalization 250,000 shares of no par value.

If the debenture bonds were all converted, this would leave 225,000 shares of stock outstanding. On that basis the company would earn about $2.25 a share with production running at 10,000,000 pounds annually and profit of 5 cents per pound. With production running at 4,000 pounds of rock daily and, therefore, 28,000,000 pounds of copper annually, on the basis of a copper content of 20 pounds to the ton of rock and a 5 cent profit per pound, the company would earn slightly over $6 a share on the 225,000 shares.

I have indicated these figures merely to show the difficulties in the way before the company can actually get on a producing basis. It is likely to be a considerable period—possibly two or three years—before earnings of $2 a share can be shown, not to speak of earnings of $6 a share.

Seneca, although it is undoubtedly a rich proposition, is a new one and it will take time before investors in the stock will get returns. Considering the fact that there are other copper shares of companies with established reputations and that in a number of instances these shares not only pay dividends but sell lower than Seneca, I can see no particularly good reason for purchase, except as a long distance proposition.—vol. 25, p. 906.

Shall We Subsidize Gold?

H. N. Lawrie, Chief, the American Mining Congress, Explains Purposes of the McFadden Bill

SINCE the beginning of the war, when labor costs and other expenses hit the entire industrial world, one of the chief sufferers has been the gold mining industry. So heavy has been the burden of costs under which the gold producers were suffering that many of them laid down their tools and quit. At least one big producer, working one of the most important deposits in the United States, adopted a policy of hand-to-mouth operation, working entirely on its old machinery, unwilling to spend one cent for new machinery with prices where they were.

It seems apparent, all questions of the ethics of "subsidizing" an industry aside, that unless something is done, and that very quickly, the gold mining industry of the United States will be in a state of complete decay within a few years.

How serious the situation actually is may be gleaned from the following remarks, made late last year by George E. Roberts who, for 14 years, served as Director of the Mint:

"I fear that a low production of gold and an unfavorable outlook for the industry at a time when credit was being curtailed and prices lowered, would have the effect of reviving all the monetary heresies of the past. We want to stand by the gold standard; it is the sheet anchor of enduring prosperity; but the gold standard will require a healthy gold mining industry to sustain it."

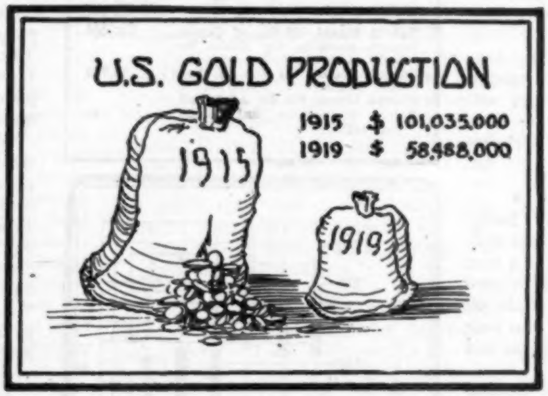
The McFadden Bill

The so-called McFadden Bill has been the chief measure put forward offering concrete plans for relieving the gold mining industry of the unfair burden under which it is struggling. Mr. H. N. Lawrie, Chief, Precious Metals Division of the American Mining Congress, probably knows more about this bill and the situation it undertakes to remedy than any one in the country. His views are presented below:

"As compared to 1914, the average purchase power of the dollar in terms of the wholesale prices of all commodities during the last five years (1915-1919) was 67 cents. The gold ounce, the only source of income to the gold producer, with a purchase power of $20.67 in 1914, had an average purchase power during the last five years (1915-1919) of $30.67 multiplied by 0.67, or $13.85. Had the $10 premium been in effect during this five-year period the purchase power of the gold ounce would have been $30.67 multiplied by 0.67 equals $20.54, or 13 cents below the fixed price of $20.67. Opinions have already been expressed by our leading financiers and economists that it will be a matter of ten years before the 1914 dollar will have regained even a large part of its purchase power, and many question that it will ever return to its purchase power of 1914. It would be most liberal to assume, therefore, that the 1914 dollar will regain its purchase power during the five-year period (1920-1924), in which event the average purchase power of the dollar during this five-year period would not be less than 67 cents, the average during the period of uprising prices (1915-1919).

"The purchase power of the gold ounce, including the $10 premium, based on 67 cents as the purchasing power of the dollar, would be $20.54 during the period (1920-1924), the same as if the premium had been in effect during the period (1915-1919). It is fundamental to the maintenance of a normal gold production during this abnormal period that the purchase power of the ounce be restored to normal as compared to 1914. The McFadden Bill providing a premium of $10 an ounce for the newly produced gold will accomplish this result.

"Had the price of gold ascended to the average wholesale price of all other commodities during the five-year period (1915-1919) the gold producers would have received for the amount of gold they actually produced $218,280,000 more than the amount which they did receive of $404,509,000. Of the $218,280,000, the amount which would have been paid by the industrial consumers of gold would have been $133,686,000 for the gold actually consumed, while the government would have paid $84,594,000 upon the monetary gold surplus. Inasmuch as the price of gold has been fixed, these respective amounts may be construed as subsidies paid by the gold producers to the industrial consumers of gold and also to the government, which received the monetary surplus. Since there was no monetary surplus in 1919 the industrial consumers of gold benefited by the entire subsidy of $65,500,000. It is reasonable to assume that if the premium had been in effect during the entire period (1915-19), which would have insured a normal (1914) purchase power of the ounce, the gold production of 1915, $100,000,000, would have been maintained throughout the period, in which event the gold producers would have received $500,000,000 the monetary price, plus $250,000,000, the premium, a total of $750,000,000, or $345,-491,000 more than actually received.



Excise Compensates for Industrial Subsidy

"In imposing the excise of 50 cents a pennyweight, which is equivalent to $10 an ounce, for the gold contained in manufactured articles, the McFadden Bill enables the industrial consumer to pay more nearly the anticipated cost of production during the forthcoming five-year period, an amount which when paid to the producer of new gold will re-establish the purchase power of the ounce to its status of 1914, and will therefore insure the normal production of gold in the United States.

Monetary Necessity for Immediate Remedy

"The gold production of the United States this year will be between $40,000,000 and $50,000,000, less than 50% of the 1915 production; and unless some remedy as is provided for in the McFadden Bill is expedited, the production for the ensuing years will rapidly approach the vanishing point, as the gold mines of the country continue to shut down. By reason of the monetary necessity for maintaining the normal gold production of the United States, especially during this period of credit and currency contraction of protecting the monetary gold reserve from further industrial depletion and of safeguarding the gold standard itself, Congress should provide a remedy without delay in the interest of national security."

REP. McFADDEN'S VIEWS

In a recent statement, Louis T. McFadden, chairman, Banking and Currency Committee of the House of Representatives, said:

"The gold production of the world has declined from $469,000,000 in 1915 to $350,-000,000 in 1919, a reduction of 25 per cent in the last four years, and yet prices throughout the world have risen enormously. Commodity prices in this country continued to increase between May 1, 1919, and May 1, 1920, notwithstanding the loss by excess exportation from the United States of $445,000,000 in gold, or 14½ per cent of the highest gold stock ever possessed by this country. Furthermore, during the period when the gold reserves of foreign nations were being greatly reduced by what they sent to this country, their prices advanced even more rapidly than those in this country. This indicates that the depletion of gold reserve at a time when currency is rapidly expanding is mainly accountable for accentuating the increase in prices."

"The gold mining industry, which has so greatly shut down in the last four years, will be completely shut down unless constructive aid is provided without delay, in which event it will take years to develop a normal output of gold at a very much greater expense."

Petroleum

Galena Signal Oil Co.

Cullinan Management Restores Prosperity of Former Standard Oil Subsidiary

Galena Signal, Controlling 80% of Country's Lubricating Oil Business, Is Now Almost Entirely Self-Contained—Earnings Gradually Creeping Upward

By **A. T. MILLER**

GALENA SIGNAL OIL belongs to the family of Standard Oil companies. Before Standard Oil was dissolved, Galena was the branch that took care of the lubrication of railroads. After the dissolution, Galena continued this branch of the industry, and at the time controlled about 90% of the railroad and street car lubricating business.

The company contracts with the railroads on a mileage basis, guaranteeing that its charge per thousand miles will not exceed a certain amount. Other companies follow the general practice of charging on a gallonage basis.

The Company's Early Troubles

Before the war, Galena fared very badly. The company had contracted with the railroads to supply lubricating oils over a long period of years, but it had not contracted for its crude oil supplies. As crude oil prices went up, the execution of the railroad contracts, naturally, became less and less profitable.

Moreover, under the regime of General Miller, Galena Signal Oil had followed out a far less conservative policy with regard to dividends than was commonly true of other Standard Oil companies. Large disbursements, which were not warranted by the company's earning power, were made—continued, in fact, to the point where they jeopardized the financial security of the company.

It was plain that a change in the management and policy of Galena Signal Oil was necessary; and this necessity resulted in the election of J. S. Cullinan, of Texas Co. fame, to fill General Miller's place.

The new management took matters vigorously in hand, and it was not long before the customary conservative Standard Oil policy began to prevail. Also, upon the expiration of its old contracts, the company signed up for new contracts on a much more attractive basis.

As a result, it is now safe to predict that the company will never again be found in the comparatively weak position of former days. Under its new business policy, Galena Signal has of course met with some competition; but it is still preeminent in its field, supplying about 80% of the railroad and street car lubricants sold in this country. Furthermore, Galena controls the major share of the lubricating oil industry in Canada, and supplies nearly all the railroads of South America and France. Demand for its products from other countries is also increasing at a good rate.

TABLE I.—GALENA SIGNAL OIL SUBSIDIARIES.

Name	Capitalization
Galena Signal Oil Co. of Texas	$6,000,000
Galena Pipe Line Co. of Texas	600,000
Galena Signal Oil Co. of Canada	500,000
Société Anonyme des Huiles Galena of France; Galena Signal Oil Co. of London, England; Galena Signal Oil Co. of Brazil	98,756
Galena Navigation Co., 10,000 shares (no par value.)	

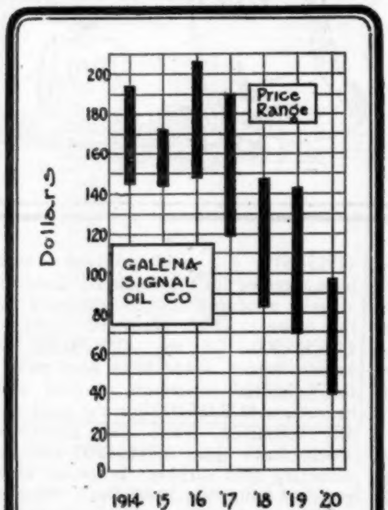


TABLE II.—WORKING CAPITAL.

	Current Assets	Current Liabilities	Working Capital
1913	$7,654,909	$2,185,486	$5,469,423
1914	8,552,298	1,786,298	6,766,000
1915	7,361,007	779,315	6,581,692
1916	7,766,624	1,160,812	6,605,812
1917	8,614,224	2,371,475	6,242,749
1918	14,429,426	7,970,169	6,459,257
1919	12,044,067	6,111,555	5,932,512
1920*	16,384,174	2,076,297	14,307,877

*Estimated after new financing.

New Properties Acquired

So far as its supplies of crude oil are concerned, Galena Signal has materially strengthened its position through the acquisition of new properties. In 1918, it acquired the Petroleum Refining Company (now the Galena Signal Oil Co. of Texas), owning extensive acreage in Texas as well as a refinery of 3,000 barrels capacity on the Houston Ship Canal at Houston, Texas. The company is having a tanker of 40,000 barrels capacity built for the purpose of transporting the oil from this Texas plant to its large storage plant at Bayway, N. J. The tanker will be completed and in operation within a few months.

When first acquired, this Texas property was something of a burden, owing to the great difficulties which stood in the way of properly equipping it. For a time, materials and supplies were, practically speaking, not to be had, owing to the war conditions then prevailing. The task was finally completed, however, and today its Texas venture assures Galena Signal of an ample supply of crude of a superior grade.

The Manufacture of Lubricants

Other properties acquired by the company include a large tank farm of 48 steel storage tanks, having a capacity of close to 2,500,000 gallons. Pipe line facilities include 24 miles of 6-inch line, with the necessary gathering lines. The company also has extensive terminals both at the Houston Ship Canal and at its New Jersey plant. Compounding plants include those at Franklin, Pa., Bayway, N. J., Whiting, Ind., and Toronto, Canada. The company also maintains large storage facilities throughout the United States, Canada, Central and South America, and in a number of European countries.

It is apparent that Galena, under Cullinan management, has become a strong, well-rounded concern, possessing properties and equipment sufficient for every phase of its business, from the production of crude oil to the storage of lubricants.

Capitalization

Galena Signal Oil is a holding as well as an operating company. It practically owns outright the seven companies enumerated in the attached table.

Capitalization of the operating company consists of $6,000,000 7% 10-year convertible debenture bonds, due 1930. This latter is the result of some new financing which is about to be completed. Of the preferred stock issue outstanding, there is

(*Continued on page* 140)

Readers' Round Table

TWO CONTRASTING PROPHECIES

Editor of The Magazine of Wall Street:

Sir:

"World Credit May Collapse."—Paish. "A gloomy view of the international financial situation was taken by Sir George Paish, former editor of the *London Statist*, and noted British economist, who 'considers a collapse of world credit not only possible but imminent.'"

* * *

"High Prices Will Rule Ten Years More."—Miller.

"Prices will remain at fairly high levels for the next ten years, according to A. C. Miller, of the Federal Reserve Board, in a public address delivered recently. At the end of that period the normal European production will have been re-established. Prices will not start their long slow declining course till after next year, and will not fall fast enough to cause any business disturbances."

* * *

The above quotations are from the Magazine of Wall Street of August 2, 1919. From a prophetic standpoint, these statements are now v ry interesting. And it is of especial interest to note the essential disagreement of two well-known financial experts and economists in their chosen field. Judging by the present near-collapse in commodity prices, Sir George has the better of the argument to date.

Some commodities may rise from the present level of prices, for there has been a steady decline now for several months. However, if there is such a rise, in the opinion of the writer, it will only be temporary, and commodity prices in general will continue their move toward lower figures. In many instances these lower figures will be the pre-war figures or, in isolated cases, even below that basis. My reasons for this opinion are as follows:

(1) Unemployment is rapidly increasing with the cutomary decrease in the worker's purchasing power. The general attitude of the buying public is now inclined toward thrift. Many a man who can well afford to spend his money lavishly is now disposing of a surplus car or boasting of making an old suit of clothes answer for another season. If the public was to reduce its expenditures in any commodity by a *few* per cent, the price of that commodity must inevitably fall *many* per cent, and we feel that many items formerly used rather lavishly are now being bought by the public in greatly reduced quantity. "Good times" are the result of our extravagances, rather than of our necessities.

(2) The stimulation to production brought about by the war has resulted in a potential increase of capacity in many producing lines.

(3) But the attitude of our great banking houses is the most significant. Here we find a determined effort to deflate commodities, and from a little observation of how the banker works, there can be no doubt but that he is able to accomplish whatever he sets out to do in financial matters. As I see the situation, many of our manufacturers and merchants are carrying great inventories at this time. Undoubtedly in some lines manufacturers and dealers are relatively bare of stocks, but this is not true in a general way. On the contrary, most of our great storage warehouses are literally glutted with merchandise. This fact can be checked in another way, from the banking standpoint; for is it not true that very little money relatively is being used fo purposes of stock speculation or for building? Consequently, where is the great volume of liquid capital that would be otherwise apparent; capital that was greatly enhanced during the war by accession from foreign sources due to our sales of materials abroad? (Although in this connection it will be well to remember that there is a tremendous debt owing us by Europe of perhaps seven or eight thousand million, and just what chance there is that this debt will be paid remains to be seen. Certainly, if our newly elected representatives put over a still higher tariff it should effectually block Europe's only means for discharging this debt; that is, through the export of merchandise.)

But we think reason will prevail in this direction and our business men and political leaders will see the necessity for the bringing in of some foreign goods in order that Europe and the rest of the world may not suffer an economic collapse which must seriously involve the United States. So, admitting that European goods must be exported not only to the United States, but to other sections of the world where the United States might now find a market for its own products, then there is going to continue to be a surplus of merchandise, and consequently the law of supply and demand must prevail, with the result that commodity prices will continue to recede. As before indicated, there is every evidence to show that the great bulk of the liquid capital of our land is today invested in commodities, and it must also be apparent that bankers everywhere are determined that loans on these commodities be reduced or discharged. So long as great stores of goods and foodstuffs remain in warehouses and elevators, our financial structure is in danger.

So in our opinion there can be but one result, that is further reductions in the commodity index until such time as the level of prices is low enough to attract the ultimate consumer. Many who hold that deflation of commodities will be gradual, proceeding over a long term of years, apparently overlook the fact that already some basic commodities are at, or below, the pre-war level, while others are rapidly approaching that level. Rubber, coffee and brimstone are now lower than in many years. Copper is on a pre-war basis, tin is not far away, and with other common metals, continues weak. The prices of leather, sugar, silk, cotton, corn and oats have declined about 50% within a few months. There have been heavy declines in the wholesale prices of lumber, although local dealers are trying to keep war prices going. All this is drastic liquidation with a vengeance. Possibly never before has there been such a collapse of commodity prices. We wonder if the economists—who a year ago were telling us so confidently that the Old Order had passed and that the old purchasing power of the dollar would never return—realize what has been happening to prices within the past six months. We may well imagine what effect such deflation would have had under our old banking system! Surely the Federal Reserve System—if for no other reason—has justified itself in tiding us over such a situation. In our opinion, there will be no opportunity for new confidence and for the upbuilding of business until the vast stocks of accumulated goods which are covered by banking loans have been largely liquidated.

In the coming months I look for heavy declines in steel, lumber, coal, paper and other commodities for which war prices are still being demanded. But as soon as the liquidation of commodities is well under way I expect to see the capital, which this gigantic movement will release, slowly enter the stock market, and into building. Meanwhile the present is a time for great caution in business. Failures are rapidly increasing, and during the winter they will probably reach record figures. The situation all over the world is economically unsound and dangerous, and while the United States is fundamentally sound—in better position than any other nation—yet it is time for American business to stop, look and listen.—A. C.

New York City, Nov. 9, 1920.

COMMODITIES SHOULD BE SUSTAINED

Editor, The Magazine of Wall Street:

Sir—To a foreigner, well conversant with United States problems, the superficial treatment of the foreign policy and the existent economic chaos here is very mystifying, and the liberty is taken to present a different viewpoint to the discussion, which might be of some general interest.

In the matter of the reduced buying power of money—fallaciously called the H. C. L.—the danger and lack of wisdom of the present efforts, to bring about a near pre-war basis, is apparent, by a reasonable digest of one basic factor and one vital necessity, to wit: that the cost of every finished commodity, with the possible exception of meats, is over 50% labor and about 25% tradesmen's profit

(Continued on page 143)

Trade Tendencies

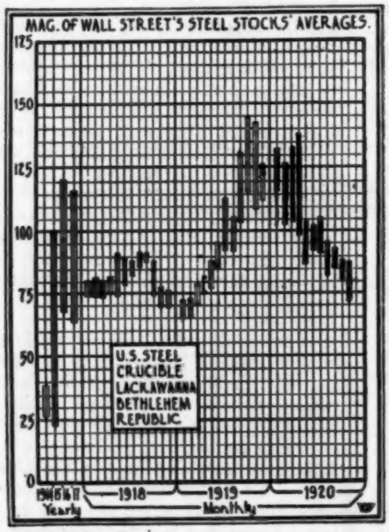
Prospects of Leading Industries as Seen by Our Trade Observer

As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

Steel

Independents Feel the Strain

RECENT sales of finished products show that independent prices are more closely paralleling those of the leading interest. In several instances, prices have already converged. Nevertheless there is some distance to go before the "spread" will have been completely eliminated. There can be no question, however, that the trend points distinctly to lower prices for most independent products.



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Perhaps the most noteworthy change has occurred in the pig iron market. The market for coke has declined again with the product quoted at $7 a ton instead of $8½-$9, recently prevailing, and with the highest price of $19 several months ago. This has naturally influenced pig iron prices with the result that quotations for basic are now $38.50 a ton as compared with $40 of two weeks ago and $50 in August. Coke has declined proportionately more than pig iron and further recessions in the latter commodity can be looked for with a bottom of $30-$35 a ton. Even this would be higher than the Steel Corporation's price of $25.75 for basic.

Competition between the smaller independents is very keen, and a number of manufacturers are perfectly willing to make continued concessions in order to get the business. These mills will consider themselves fortunate to get rid of their surplus stocks by the end of the year. In the meantime, they are cutting production and a number of shutdowns are reported. The leading interest continues to operate at about 80% capacity but no such showing is being made by the independents, who are averaging 50-60% capacity and even less in a number of instances. A number of men have been laid off in some of the steel-making districts, an unprecedented condition in this industry for a long time.

The independents are anxiously waiting for the announcement of the Steel Corporation prices for next year. This will not be published for several weeks yet. It is to be doubted whether any advances will be made except possibly in one or two instances. Maintenance of the present schedule by the Steel Corporation would inevitably result in further price reductions by the independents, who are still asking prices substantially above those of the leading interest.

It is becoming apparent that one department of this industry is pretty sure to run at full blast in 1921 and that is the rail-making branch. Many rail mills are booked up for months. The Steel Corporation alone has about 1,000,000 tons orders on its books and the Chicago mills report a similar amount. These facts indicate that the rail mills will be taxed to capacity next year. This is a considerable saving element in an otherwise unfavorable situation for the steel industry.

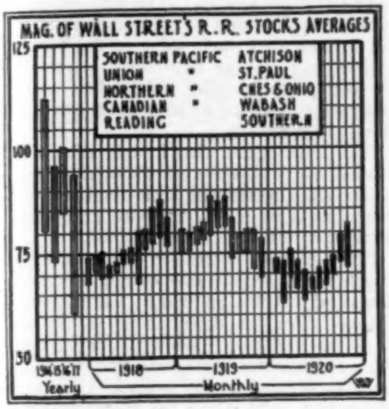
RAILROADS

Economy, the Watchword

THE September net returns show that the least encouraging phase of railroad operations is in connection with the expense account. In the period under discussion, expenses remained very high, offsetting to a great extent the beneficial effects which were expected to come from the higher rates recently put into effect. It is to be remembered, however, that a prompt decrease in certain items of the expense account was impossible. Two of the most important of these items are labor and cost of maintenance. With the roads returned to their owners in very poor physical shape, it was found necessary to expend considerable amounts for maintenance. In effect, the railroads are now paying for poor government management. Ultimately, however, these expenses should come down to more normal proportions.

Labor costs are high and will remain high. The railroads, realizing this fact, are endeavoring to effect savings by reducing their number of men. During the period of Federal control, the number of men employed on the roads increased 273,000. The railroads are lopping off this excess of labor.

Railroad managements are following a rigorous policy of retrenchment, and, in fact, they are compelled to do so because the returns for September clearly indicate the necessity for efficient and economical operation. Present financial conditions do not permit the carriers, as a whole, to indulge in any large construction program. Until conditions become more stabilized and construction costs become lower, the roads will doubtless deem it more prudent to use intensively their existing equipment rather than undertake any important and expensive construction work.



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It is a little too early to speculate on the effect of the industrial depression on the carriers. The slack in industry is already being felt, however, and possibly within a few weeks its full force will be experienced. The implications of this situation are pretty well understood by the railroad managements and they are getting ready by way of reducing expense accounts to the lowest minimum, compatible with safe operation.

The rate situation is by no means cleaned up. This is particularly true of the New England group. In this case, the 40% increase in freight rates and the 20% increase in passenger rates does not appear to have been enough. Under the new rates, the New England group will be short $36,000,000 of a 6% return for the year. Added to this difficulty, there is the fact that the New England roads are already feeling the effect of the industrial depression in that part of the country. Several of the more important roads have shut down freight houses and have laid off freight handlers and clerks. In cases where repair work has been completed, even some shopmen have been laid off.

In other sections of the country, such as the South and Northwest, where the farmers are trying to hold back their crops on account of the present low prices, some of the carriers will doubtless be affected. This is a more or less temporary situation, as the crops must be moved sooner or later.

On the whole, it is a matter of encouragement that the railroads have determined to make economy the watchword. It is impossible to expect complete economy at once, but succeeding months should enable the carriers to arrive at some such result.

SUGAR

Prices Decline Again

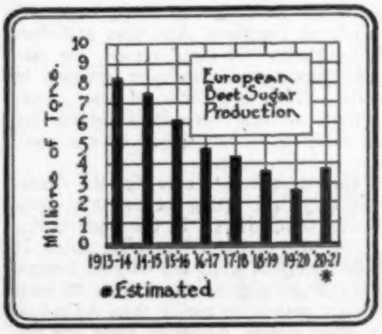
THE past few weeks have seen no improvement in the sugar industry. All branches from producer of the raws to the distributor of the refined product are equally affected by the abnormal situation in which this industry finds itself.

Cuban planters, especially, are in distress, although the moratorium recently put into effect by the Cuban government affords some temporary measure of relief. Nevertheless, this abnormal financial condition cannot be regarded as a permanent boon to the sugar producer. This is clearly recognized, and it is quite likely that other steps will be taken which will render more effective relief. Under present conditions, the planter is encouraged by the moratorium to hold his sugar in the fatuous belief that he may eventually get much higher prices, but with the entire force of world economics against him, it is difficult to see how such a result can be achieved.

Plainly speaking, the planter cannot hold his sugar forever. This is appreciated by some of the more progressive growers, who prefer to sell their sugar even at further concessions rather than risk still more unpleasant developments.

Cuban raws, at present writing, are quoted at about 5½ cents. This compares with the recent price of 6½-7 cents, and with the high of 24 cents reached last May. It is noteworthy, however, that even this low price which, by the way, is below the level at which the 1920 advance started, does not attract buying. Refiners and the trade, in general, pursue a most conservative policy with regard to the acquisition of new stocks. Except in a few insignificant instances, there is no such thing as anticipating requirements.

The trade, virtually, is buying from hand to mouth and at a rate just sufficient to cover immediate requirements. Manufacturers fear to add to their holdings, conscious of the possibility that there may be still lower prices. Under the circumstances, further recessions in the price of refined sugar are anticipated. Refined sugar is now quoted at 10½-11 cents, but this is from the raws obtained at 7-8 cents. With raw sugar down to 5½ cents, a proportionate decline in the price of refined sugar is most likely. Some such cut is expected within a month.



One of the most important reasons for the decline in sugar prices was the comparative abstinence of Europe from the markets under conditions which saw the highest prices in history. With the commodity down to 5½ cents, it is believed that Europe will find these prices attractive enough to warrant more or less heavy purchases.

In glancing over figures for European beet sugar production, one is struck by the fact that there will be a heavy gain in production this year. This is estimated at 3,870,000 tons, as compared with 2,678,000 tons in the 1919-1920 year, and 3,642,000 tons in the 1918-1919 year. Of course, none of these figures compare with pre-war production, which showed 8,254,000 tons in the year before the war, but the recent productive gain is a sign that Europe will gradually regain her former position among the world's sugar producers.

As for the sugar "shortage," this has been proven to be a fancy. There never was a shortage and certainly there is none now, though it is quite possible that sugar stringency here and there might have been caused by poor distribution. It is quite plain now that the extraordinary rise in this commodity was due almost wholly to speculative reasons, but with the price now back to saner levels, it is very likely that the industry will soon readjust itself and again place itself on a firm foundation.

SHIPPING

Many Ships Idle

THE world-wide depression is very clearly and interestingly illustrated in the present status of the shipping industry. Many ships are idle. The U. S. Shipping Board alone has 15-18 oceangoing steel vessels tied up indefinitely. There are also 65 coal-burning lakers, belonging to the board, for which there is no immediate use. There is plenty of tonnage available at all the principal ports on the Atlantic.

In many instances, ships arriving on the Atlantic seaboard from abroad are arriving in ballast. Thus for the week ending October 23, which is the latest for which we have figures, there were 300 vessels of combined American and foreign registry. Of these vessels, 149 carried cargoes, the remainder arriving in ballast. Thus over 50% of the cargo-carriers, arriving here from abroad, are not carrying enough to pay even a small part of their expenses.

It is interesting to note that the American ships are doing better than their foreign competitors. In the week ending October 23, of the 149 arriving laden, 76 were American ships and only 73 foreign, notwithstanding that there were 46 more foreign vessels to arrive than American. In other words, American ships are getting a bigger proportion of the business to be had than their foreign competitors. To put it still another way, only 34% of the American ships are returning in ballast as compared with 54% of the foreign ships.

On their European trips, all ships, American and foreign combined, are carrying not more than 60% cargo capacity. This will indicate the relative slump in our export trade.

The export situation is in a more or less chaotic condition. Many exporters are seriously embarrassed because their foreign customers refuse to take delivery of the goods contracted for on account of the drop in prices and the unsettled condition of the exchange markets. In some instances ships already loaded with cargoes destined for foreign ports are held back because the exporters know that if the ships were sent out they would be unable to discharge their cargoes.

All this contributes to the very uncertain position of this industry. Realizing the new disadvantages of carrying on business, some Shipping Board operators prefer to turn back their ships to the board rather than risk an unproductive period. Several of the smaller independent companies are reported to have gone into the hands of receivers.

The only bright spot in this generally dismal tale is that the American ships are doing much better than their foreign competitors. This is all the more gratifying because it was totally unexpected.

That current depression will result in much more serious rate cutting is problematical. In the opinion of the Shipping Board, rates are down about as low as they can get, even though the depression may continue for some time longer. It is well to remember that oceanic rates are down to a point where the operating concerns can barely break even.

Nevertheless, all indications point to lean times ahead for the industry. The time when any one could make money from hiring out any sort of a thing which could float and hold some cargo has passed. On the present basis, whatever profit can be made can only be made where operation is efficient and highly economical.

LEATHER

Readjustment Not Yet Completed

THE leather industry is in a somewhat paradoxical position. Half the industry is thoroughly deflated, or nearly so, but the remainder is making at most only feeble efforts towards readjustment. Thus rawhides are dragging the bottom and have been for some time, but this has yet to be reflected in the price of the manufactured article, particularly so far as the retailer is concerned.

The industry has some distance to go before readjustment can be said to have been completed. For example, the price of rawhides has dropped about 50% in the past fifteen months, but tanned leather has by no means made a proportionate decline. The reason for this is obvious. Tanners have large volumes of high-priced rawhides on hand, and they feel that they cannot make cheap leather out of this expensive stuff. Thus the present low price of rawhides has little effect on the tanners. Within a few months, however, they should work off their surplus of leather bought at high prices, and thus pave the way for bringing into use the cheap basic material now available.

Back of all this hesitation in the in-

dustry is the obstinate attitude of the retailer, who still persists in holding out for high prices. The public is not in a mood or is unable to pay such prices. It is by no means an uncommon thing to walk by no means an uncommon thing to walk into a shoe store where there are more salesmen than customers. This naturally reacts all the way down the line on the jobber, the manufacturer, the tanner, and finally, the rawhide producer.

So far the only one who has done his share in completing the deflationary movement is the rawhide producer, and the price of the basic material demonstrates this adequately. The other factors must follow along eventually, and when this has been done the readjustment in the leather industry may be said to have been completed.

The falling off in demand and in prices for leather is world-wide. In Venezuela, for example, where hides are one of the three most important products, conditions are particularly acute and prices are reported to be below the pre-war level.

The extent to which the industry has been affected is clearly reflected in the history of leather export movements during the first nine months of the year. In that period only 19,650,000 pounds of sole leather were shipped as compared with 107,200,000 pounds during the same period last year. Imports of rawhides have fallen off 50%. Thus imports amounted to 227,000,000 pounds during the first nine months of the year as compared with 343,000,000 pounds for the same period in 1919. It is significant that where imports have fallen off 50%, exports have fallen off about 82%.

Until the retail dealers are convinced that the best policy would be to take their losses and thus clean out their goods, the industry will remain in a more or less stagnant condition. Most authorities are agreed that no real improvement is in sight until after the beginning of the next year, and that it will be problematical even then, unless the retailers induce the public to buy by putting considerably lower price tags on the shoes for sale.

THE MOTORS

A Period of Acute Depression

THE "readjustment" process, which is the high-sounding name given to the period of depression in which industry as a whole finds itself, has proceeded with such rapidity in the automotive industry as to startle even those who months ago clearly foresaw that a change was coming. Yet the sweep of this movement should hearten those interested in the industry, as this housekeeping process can not help but result favorably.

Plainly speaking, matters have not gotten beyond the control of the automobile companies, and they have readjusted themselves to new conditions fairly swiftly. Of course, the process is a painful one, and losses are accruing that will make disagreeable reading when the annual statements are issued.

The automobile companies are trying their best to find a basis upon which they can do business. Shorn of its speculative element, this industry will sooner or later

find itself on a firm foundation, upon which business can be run legitimately and conservatively and at a profit. Those who are tempted to let their pessimism run away with them should recall that the automobile today is an essential, exactly as is the street car, telephone and railroad. From a more concrete viewpoint, there is the fact that annual replacements, with the average life of a car eight years, will probably run well up above 1,500,000 annually during the next few years. The man who thinks that the automobile industry is going to shut down for good is making a grotesque error.

This is all encouraging as to the ultimate prospect of the industry, but it is nevertheless a fact that its present condition is very poor. The situation is highly confused. Some firms, especially the makers of low-priced cars, are keeping up with production, and in fact have recently increased their output. The majority of the manufacturers, however, are still curtailing operations and letting men go. In general, the process is one of reducing expenses and trying to sail as close to the wind as possible. Probably the majority of the manufacturers do not expect real improvement until next spring, although here and there may be found one who is a bit more optimistic.

It was very apparent some time ago that the smaller manufacturers would be the first to be hit hard by the new conditions. This has turned out to be a fact. A number of receiverships have been reported, and it is quite possible that financial troubles may assail even some of the larger companies who have not been too conservative in planning ahead. In general, however, the more representative makers are keeping above water and will doubtless continue to do so until the storm blows over.

It is extremely important to note that where some of the important concerns have laid off men, they have lost little in efficiency or have actually gained. This is distinctly a hopeful sign, and it may mean a permanent gain, so far as economical operation is concerned.

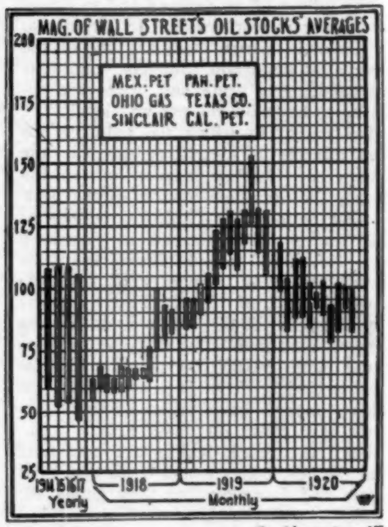
Price cutting has become so general that it is useless to point out specific instances. This attempt to bring the industry into alignment with new conditions is meeting with varying success. It is to be doubted, however, whether this tendency has run its course. Manufacturers may find it expedient to make even further reductions later on. Slowly, however, accumulated stocks will be worked off, and next spring should see the industry in a position to go ahead with something like its accustomed impetus.

OIL

Readjustment in Sight

THERE seems to be a false notion prevalent that the oil industry is the only one immune from deflation. Recent developments show that this theory is incorrect. For the past few weeks it has been clear that production at the pace recently maintained would outstrip consumption. The industrial depression, necessitating the shutdown of many plants hitherto using oil for fuel-burning purposes, and the slump in the automobile trade, involving a decreased demand for gasolene, having already exerted their effect. In addition, the decline in coal prices has induced many consumers to return to their coal-burning operations instead of oil. The final effect is to cause an over-supply.

There are many signs to show which way the wind is blowing. Among the most interesting developments of recent weeks has been the cut of one cent in gasolene prices, put into effect by the Standard Oil Co. of New Jersey and the Standard Oil Co. of Louisiana. This reduction, it is claimed, is not due to lower costs of crude oil or labor, but to the desire to get gasolene prices back to a more



To November 17

normal basis. One suspects, however, that in reality, the cut was a very shrewd move in anticipation of conditions which will probably compel all interests to follow suit.

Gasolene prices have dropped about 4 cents a gallon in Texas. Some of the small independents, owing to the advance in freight rates, no longer find it profitable to ship their products to territories east and west which were formerly an important source of business. This district is rapidly becoming overstocked, and the price declines alluded to are easily understandable under the circumstances.

The general oil market is in a condition which is highly suggestive of lower prices. Lubricants, especially, are weak and for the past few weeks have shown little resistance to the downward course of prices.

Crude oil remains firm, though it is to be doubted that this condition can continue much longer. The tremendous gain of production and the tendency toward reduced demand will inevitably exert an influence, compelling lower crude oil prices. Mexico is an important factor in the potential over-production, and her shipments are at a pace to give American producers some concern. Incidentally, we believe that the smaller concerns, specializing in production, may find themselves in a less favorable position than they have hitherto enjoyed, if this process is continued.

Answers to Inquiries

WILLYS AND HUPP MOTORS

- Their Relative Merits

As between Willys Overland and Hupp Motors, we favor a purchase of Hupp, considered from the longer range investment viewpoint. Hupp pays a dividend of $1, on $10 par value. The slump in the automobile industry found the Hupp company better prepared to meet adverse factors than the Willys company, and we believe inasmuch as the financial condition of Hupp Motors is unquestionably sound, and since it reports a favorable amount of future orders, that with any change for the better in general conditions, Hupp common should advance in market value. As to Willys common, it is yet to be determined whether the company will continue the dividend on the common stock, although it reports progress in its endeavor to get its production on a sound and conservative basis.

MISSOURI PACIFIC PFD.

Why We Do-Not Favor It

We see no reason beyond possible price appreciation for holding Missouri Pacific preferred, which pays no dividend and has no immediate prospect of doing so. We would rather hold Kansas City Southern preferred at 47, paying a dividend of $4, and believe it would be a good idea to switch Rock Island preferred 7% stock into General Motors 7% preferred. The yield in the latter case is 9%. We believe the latter has as good a chance or better than Rock Island 7% preferred, during the next upswing in the market, while the dividends on both seem secure. The margin of safety is strong in both.

We believe that Texas Company as well as Pan American, Smelters, General Motors and C. & O. will be profitable for the long pull, but we only advise making new purchases upon a basis of part now and the balance if one or more of them should decline substantially. Being in an **irregular market**, such declines are to be expected, and it is better to look out for such opportunities than to take a chance that any given purchase will be at the low price during the current downswing.

AMERICAN TELEPHONE BOND ISSUES

Gold 5s and Convertible 6s Discussed

American Telephone & Telegraph Company gold 5s, due 1946, are a direct obligation of the company and secured by a deposit of stocks of affiliated and subsidiary companies, having a value of 133% of the amount of bonds issued, and the company covenants to maintain such a margin of 33⅓% above parity of the issue. These bonds are not convertible, and the amount outstanding is $77,000,000. The issue is considered entirely safe.

Of the bond issues of this company, we consider the convertible 6s, due 1925, as the best purchase at this time. These are convertible into common stock of the company at 106, with adjustment as to interest and dividends. They are a direct obligation of the company, but not secured by a mortgage. The amount outstanding in this case is $48,000,000. The speculative possibilities of these bonds in the conversion privilege are good, and we believe them to be a safe investment.

PREFERRED STOCKS AND "BABY" BONDS

Most Suitable for Limited Funds

We would hardly advise an investor with limited capital to put his money into speculative issues like Miami Copper, Fisk Tire, Studebaker, Lehigh Valley or Southern Railway. None of these is suitable for investment, although we believe that Studebaker, Lehigh Valley and Fisk Tire have good speculative possibilities.

Instead of purchasing the above, we suggest General Motors 6% preferred, Kansas City Southern preferred or a few baby bonds like American Tel. convertible 6s, American Smelting 1st 5s, Colorado Southern 4½s or 'Frisco Prior Lien 4s. The four bonds mentioned are all available in $100 issues, and believe that, besides the income they will yield, they have very good possibilities in the way of increasing a capital investment.

COLUMBIA GRAPHOPHONE

Compared with Loews

We do not approve of a switch from Columbia Graphophone into Loews, Inc. Columbia at its present market value has discounted general adverse factors and we look for a fair advance in this stock in an upward market. The company's business is prosperous and expanding, and its earnings reported to be satisfactory. While Loews is a fair speculative stock, and the Loews Theatres continue to do a capacity business, we do not believe that its stock has fully discounted the evident growing depression in the theatrical busi-

ness. While theatres of the description of the Loew houses should not be affected seriously by a decline in theatre attendance, we believe that the large expansion policy of the corporation is very courageous if not unwise, at his time. It is building a $5,000,000 building in New York, and the general situation surrounding this particular enterprise is one that stockholders should consider as affecting their interests adversely instead of favorably.

CORN PRODUCTS

Seems High Enough

The MAGAZINE made an examination of Corn Products some time ago, resulting in a short article in the "Securities Not Recommended" column of the MAGAZINE, last issue.

It is quite possible that, based upon the high earnings of the last three years, this company may establish itself upon a 7% or even an 8% basis. We have no official information to that effect. But in any event, Corn Products is not more than ordinarily attractive, compared with other industrial issues that are selling at such low prices at the present time.

A stock like Chandler Motor, paying 10%, can be bought for 75, and we have no more reason to doubt the continuance of the Chandler dividend than we have to doubt the Corn Products dividend, or to assume that the latter will pay a higher dividend.

Summarized, we see nothing in the situation that calls for any undue enthusiasm, and we would prefer to leave the stock alone under present conditions. Future developments in its industry may warrant greater enthusiasm, but it seems to be selling high, even at this writing.

NEVADA CONSOLIDATED

Purchased by Aged Widow

Nevada Consolidated Copper is not the kind of a stock that we would have recommended for a lady of limited means and advanced years, to either invest or speculate in. This stock has not now and never did have investment qualifications and, although a well managed enterprise and able to make money during a strong copper metal market, is very sensitive to earning power. At present, it appears unlikely to make very much progress unless the price of copper advances. Since the woman to whom this is addressed has held this stock for a number of years, and since we expect a turn in the copper situation sooner or later, we believe it would be better for her to hold the stock for a price that would enable her to get out even, including interest. This would mean selling the stock around 16-17.

PRODUCERS & REFINERS

Has a "Fair" Rating

Speculative oil stocks can not very well be classed otherwise than fair. The recent reports on this company are favorable. For the year ended May 31, the company's net income after depletion and all charges, except profit and loss items, amounted to $1,800,000, equivalent, after providing for preferred dividends, to 97c. a share on the 1,700,000 shares of common stock outstanding, the shares having a par value of $10 each. Recently, the company's earnings have shown considerable improvement, and are now running at the rate of $425,000 a month. Its earnings at this rate would be equal to somewhat in excess of $270 a share, or about 27% on the common stock, after deducting preferred dividends. The present production is 6,000 barrels daily, while sales of natural gas approximate 15,000,000 cubic feet daily, the company having wells aggregating from 15,000,000,000 to 50,000,000,000 cubic feet conserved for ultimate consumption. We regard the shares of the company favorably, but, of course, the issue must be regarded as a speculation.

KENNECOTT COPPER

Decline Not Alarming

There is nothing to be alarmed about in the decline that has taken place not only in Kennecott Copper, but in all the copper stocks during the past six months. The demands from Europe have not come in as expected, and copper, like all other commodities, has had a tremendous reaction, and by natural laws, a recovery should set in sooner or later. While we do not expect a big buying demand to come in even around 14 to 15c., we believe that surplus stocks are gradually being disposed of, and that the trend of copper will eventually turn upward. It is during such times as these, when things seem most discouraging, that shrewd investors purchase or hold.

AM. INTERNATIONAL CORPORATION

Should Improve in Time

American International Corporation is capitalized for 400,000 shares of $100 par.

This capital was put up entirely in cash, originally in instalments, and the money was invested in various companies, such as U. S. Rubber, United Fruit, Marine Pfd., International Products, etc. The interests behind the company are of the strongest character. In addition to being a holding corporation, the company does an extensive foreign importing and exporting business. There are no bonds and no preferred shares that are outstanding with the public. The dividends are $6 annually, which is now the regular basis. This dividend has been earned mainly from security investments by a fairly good margin in past years, and last year was earned about five times. The shares have declined from 120 this year to a low of around 54. We believe that the company has very good possibilities for ultimate expansion and steady earnings.

PIERCE ARROW

Declines in Motor Group Erratic

Pierce Arrow has suffered considerably in the market, perhaps to a greater extent than most of the other standard automobile issues like Chandler, Studebaker and General Motors. Where General Motors has declined from above 40 to below 15, Pierce Arrow has dropped from above 80 to around 23. It is very difficult to determine why this should have suffered more than others.

We would not suggest averaging, although we believe that purchases made around 23 should prove profitable.

CUBAN-AMERICAN SUGAR

Still Somewhat Speculative

The company has outstanding 78,938 shares of preferred stock requiring $552,566 yearly for dividend requirements, while there are 1,000,000 shares of common stock now calling for a requirement of $4,000,000 annually based upon the new dividend of $4 a share (more recently $7 a share). We went into the Cuban-American Sugar situation in our June 12, 1920, issue, page 175—"Securities Not Recommended"—cautioning our subscribers against buying or holding the stock, then around 60. It has since declined to 30 and cut its dividends from $7 to $4, and we naturally do not feel quite as "bearish" with so much water squeezed out of valuations by such a market appraisement of the intrinsic worth of the stock. It must be remembered that until recently Cuban-American was very much under-capitalized, that is when its stock was $100 par and it rose to $600. In this respect it resembled the old General Motors and Bethlehem Steel Corporation, or Chandler, where earnings and dividends were likely to grow out of all proportion to its par value. We felt in our June 12th issue that the splitting up of the stock was not a favorable factor, and even now believe that purchases of Cuban-American are rather speculative. Still, the decline has been very drastic, weak holders are being weeded out, and with the great improvement in the company's property and possibly higher prices for raws, the stock should again advance to a moderate extent. We should be very much surprised to see a quotation of 60 again for Cuban-American for a very long time, however.

Current Bond Offerings

Issue	Maturity.	Offering Price.	Approx. Yield To Maturity.
Government, State, Municipal.			
§Province of Nova Scotia, Ca. 6s........	Nov. 1930	93.50	6.90%
‡State of Oregon 4½s........	1926-1945	96.0-96.5	4.80-4.85
§Nassau County, N. Y. 5s........	1941-1940	103.42-105.19	4.60
§Herkimer County, N. Y. 5s........	1921-1942	To Yield	4.55-5.00
‡Cleveland County, Ark. 5½s........	1920-1944	89.08-99.00	6.40-6.60
§City of San Diego, Cal. 5s........	1934-1953	100	5.00
§City of Newport Beach, Cal. 6s........	1921-1945	100.24-103.97	5.70-5.75
‡City of Berne, Switzerland 8s........	Nov. 1945	99	8.10
Public Utilities.			
†Arkansas Valley Rwy. Lt. & Pr. Co. 7½s	Nov. 1931	96	8.00
†Mass. Lighting Companies 7s........	Oct. 1930	93	8.00
Industrials.			
§Aluminum Co. of Amer. 7s........	Nov. 1925	97½	7.60
†National Leather Co. 8s........	Nov. 1925	100	8.00
†Hydraulic Steel Co. 8s........	Nov. 1930	99½	8.10

†Smallest denomination issued $100.
‡Smallest denomination issued $500.
§Smallest denomination issued $1,000.

Province of Nova Scotia, Canada, 6s. These 6% gold bonds are issued in coupon form in $1,000 denomination and are legal investment for New Hampshire, Vermont and Connecticut Savings Banks.

This issue is a direct and primary obligation of the Province, whose credit is irrevocably pledged for the payment of principal and interest. The finances of Nova Scotia are so handled that the entire annual expenditures, including all bond interest charges, are adequately taken off without recourse to a Provincial property tax, although there is a statutory provision for such tax. This is one of the oldest and most highly developed of the Canadian provinces. Its chief industries are manufacturing, agriculture, mining, fishing and shipping.

Among the assets of the Province are over 1,000,000 acres of Crown lands, and all the mines, minerals and water powers, from which a large portion of the Provincial revenue is derived.

These bonds are offered at 93.50 to yiel dover 6.90%.

Nassau County, New York, 5s.—These coupon 5% gold bonds are in $1000 denomination and are legal investments for savings banks and Trust Funds in New York and New Jersey. This issue is free from Federal and New York State income taxes.

Nassau County, one of the wealthiest counties in the State, adjoins New York City, extending the entire breadth of Long Island from the Sound to the Ocean, covering an area of 352 square miles. Within this county are many places well known for their residential and country estates. The total assessed valuation is over $184,-900,000 while the net debt is only about 2.4% of this assessed valuation.

This issue is offered at prices ranging from 103.42 to 105.19 according to the maturity, and yield 4.60%.

Herkimer County, New York, 5s.—This county is located in the central part of New York State and is served by the New York Central and Hudson River R. R.; by electric interurban lines, and by the Erie Canal. The southern section of the county is a rich dairying region and there are also a number of extensive manufacturing industries located there.

These 5% highway bonds are in denomination of $1000 and are exempt from Federal Income and New York State Taxes. The issue is legal investment for Savings Banks and Trust Funds in New York State.

The prices vary according to the maturities and yield from 4.55% to 5.00%.

Cleveland County, Arkansas, 5½s.—This road improvement District Number Four was formed by a special act of the State Legislature in 1919 and is located in the southeastern part of the State. The district contains 39,000 acres of land, over one-third of which is in cultivation producing large crops of cotton, corn, potatoes and fruit; the balance being timber land. There are several saw mills in the district and considerable attention is also paid to the raising of cattle and hogs. With the completion of this road, it is expected that the timber lands will be rapidly cleared and the land put into farms, thus materially increasing land values.

The highway, for the construction of which these bonds were issued, is now about three-quarters completed. This improvement has met with the hearty approval of the landowners of the district, as is evidenced by the fact that in the past year there has not been a single case of delinquency in the payment of taxes.

These bonds are offered at prices ranging from 89.08 to 99.00 according to the maturity and yield from 6.40 to 6.60%.

The Arkansas Valley Railway Light & Power Co. 7½s.—These first and refunding mortgage 7½% sinking fund gold bonds are issued in denominations of $1,000, $500, $100.

The company owns and operates modern steam and hydro-electric power plants, serving the south central part of Colorado, including a number of important cities and towns. It also operates and owns the electric railway system in Pueblo and immediate vicinity.

These bonds will be the direct obliga-

tion of the company, and will be secured by a First Mortgage on the entire properties of the company, subject only to an underlying issue of $1,647,000 face value of bonds on that part of the property formerly owned by the Pueblo & Suburban Traction & Lighting Co. With the retirement of this underlying issue in 1922, these bonds will become an absolute First Mortgage on the entire properties.

Net earnings for the year ending September 30, 1920, exceed one and three-quarter times interest charges on outstanding bonds and notes. 80% of the net earnings are derived from the sale of electric light and power.

This issue is offered at 96 and interest to yield over 8%.

Massachusetts Lighting Companies 7s.—This 7% ten-year gold debenture bond issue is in coupon form in denominations of $1,000, $500, $100. The Massachusetts Lighting Companies (established in 1903), through ownership, controls the gas, electric light and power business in 29 cities and towns in Massachusetts. This company is one of the largest gas, electric light and power organizations in Massachusetts and has been a success since its inception seventeen years ago.

Funds obtained from this issue will retire all floating debt and provide for necessary additions and extensions.

These debentures are offered at 93 and accrued interest to yield over 8%.

Aluminum Company of America 7s.—These five year 7% gold notes are in coupon form in $1000 denomination.

The business conducted by the company was established in 1888 and consists of the mining of ore of aluminum, smelting of aluminum therefrom, and its fabrication.

In no year since 1915 have the company's net earnings, after payment of interest, taxes and other charges, been less than $10,000,000. In no year has the company paid out more than $2,350,000 in cash dividends, all surplus earnings having been retained in the business.

The current assets are in excess of $50,000,000 and its total liabilities (including this $12,000,000 note issue and all other funded debt), will, upon completion of this financing, be less than $32,000,000. These notes will be a direct obligation of the company and will be issued under a Trust indenture.

Notes are offered at 97½ and interest to yield over 7.60%.

National Leather Company, 8s.—These five year 8% gold notes are in coupon form in denominations of $1000, $500, and $100.

This company is both an operating and holding concern and is engaged, with the co-operation of its affiliated companies, in the tanning of hides and manufacture and sale of leather. The company was incorporated for the purpose of conducting the tanning and leather business operated by Swift & Company for twenty-five years.

Proceeds of this financing are being used in the reduction of current liabilities and to provide additional working capital, the margin of safety in the current assets of nearly two and one-half times the amount of this issue is reflected in the financial condition of the company.

Net earnings available for interest charges, after deduction for reserves and Federal Taxes, for the five years 1915 to 1919 inclusive, have averaged over $5,000,000 or more than six times the $800,000 annual interest requirements of this issue.

These notes are offered at par and interest, yielding 8%.

The Hydraulic Steel Company 8s.—These ten year sinking fund gold notes are in coupon form in denominations of $1000, $500 and $100.

This company owns and operates four plants, three located in Cleveland and one in Canton, Ohio, and manufactures a wide range of standard steel products and further specializes in the manufacture and leasing of steel forms for concrete construction, and this latter business is developing rapidly.

Aggregate earnings after depreciation and all taxes of the properties merged in The Hydraulic Steel Company, with adjustments based on the present capitalization including this financing, averaged for five calendar years, 1915 to 1919 inclusive, 4.1 times interest requirements.

These gold notes are offered at 99½ and interest to yield about 8.10%.

WESTERN PACIFIC SECURITIES STILL LOOK CHEAP

(Continued from page 89)

vestment in this market around 75, while the common should be selling as a speculation around 35. If this assumption is reasonable, neither class of stock has done much toward discounting the proposed stock dividend.

At the assumed prices, the dividend payable in preferred would be worth 12½ as applied to either class of stock, while the dividend payable in common would be worth 6 as applied to either class, or a total of 18½. This should make the preferred worth 93½ before it sells "ex" and the common worth 53½.

On this basis, either class of stock is still a purchase, and certainly neither should be sold at current quotations of 78 and 38.—West Pac., vol. 27, p. 22; Den. & Rio Gr., vol. 27, p. 22.

PAPER PROFITS

Many people enjoy riches in Paper Profits. Such profits are an uncertain sort of affluence. "A," for instance, has some stock for which he paid $50,000, and finds, on looking at the closing quotations on his security, that his holdings are worth $60,000. He retires that night with $10,000 Paper Profits.

BOND BUYERS' GUIDE

THIS table includes many of the active bonds listed on the New York Stock Exchange. They are classified but not necessarily recommended. An endeavor has been made to arrange them in the order of desirability as investments, based upon security of principal and income return. The arrangement below attempts to balance these two factors. This table appears in every other issue of this Magazine.

Foreign Government Bonds

	Apx. Price	Apx. Yld. %
Belgian, 7½s, 1945	99½	7.55
Jap. 4s, 1931 (par $974)	57¼	10.60
Jap. 1st 4½s, 1925 (par $974)	74¾	11.25
Jap. 2nd 4½s, 1925 (par $974)	74¾	11.25
U. K., Gt. B. & I. 5½s, Nov., 1922	94⅝	8.50
Paris 6s, Oct. 15, 1921	95	11.40
U. K., Gt. B. & I. 5½s, 1929	89	7.20
French Cities 6s, 1934	83½	8.00
U. K., Gt. B. & I. 5½s, 1937	87¼	6.80
Dom. Canada 5s, April, 1921	98⅝	8.10
Dom. Canada 5s, April, 1926	91	6.90
Dom. Canada 5s, April, 1931	90½	6.20
Dom. Canada 5½s, Aug., 1929	92	6.70
U. K., Gt. B. & I. 5½s, Nov., 1921	98¾	7.10
Dom. Canada 5½s, Aug., 1921	98¾	7.10

Industrial Bonds

‡Midvale Steel 5s, 1936	77	7.50
§Va-Car Chem. 1st 5s, 1923	92¼	7.90
‡Chile Copper 7s, 1923	95¼	8.70
§Wilson & Co. conv. 6s, 1928	84	8.80
‡Chile Copper 6s, 1932	71	10.25
§Colorado Ind. 5s, 1934	68	9.10
§Western Electric 1st 5s, 1922	93¾	8.50
§Amer. Cotton Oil Deb. 5s, 1931	77	8.20
‡Int Mer. Marine 6s, 1941	80¾	7.90
§Braden Copper 6s, 1931	89	7.45
§Central Leather 5s, 1925	90¾	7.25
§Beth. Steel Ext. 5s, 1926	89	7.25
§Wilson & Co. 6s, 1941	87½	7.20
†Beth. Steel Ref. 5s, 1942	77⅝	7.00
†U. S. Rubber 5s, 1947	77⅜	6.80
§Col. Fuel & I. 5s, 1943	78½	6.85
†Amer. Smelt. & Ref. 5s, 1947	76¾	6.90
§Armour R. E. 4½s, 1939	76¼	6.70
§Rep. I. & Steel 5s, 1940	86¼	6.20
†Lackawanna Steel 5s, 1950	78¾	6.70
‡U. S. Steel 5s, 1963	93	5.40
‡Gen. Elec. Deb. 5s, 1952	86¾	5.85
†Gen. Elec. Deb. 6s, 1940	97½	6.20

Public Utility Bonds

§Amer. Tel. & Tel. 4s, 1929	76⅝	7.60
‡Nor. States Power 5s, 1941	79	6.90
§Manhattan Consol. 4s, 1990	57	7.15
†Amer. Tel. & Tel. 6s, 1925	95½	7.10
‡Consol. Gas N. Y. 7s, 1925	100¼	7.00
†Pac. Gas & Elec. g & r 5s, 1942	80	6.75
†N. Y. Telephone 6s. 1949	91½	6.70
§Detroit Edison 1st coll. 5s, 1933	89	6.25
†Amer. Tel. & Tel. 5s, 1946	80	6.60
‡N. Y. Telephone 4½s, 1939	77¼	6.50
†Detroit Edison 1st Ref. 5s, 1940	80	6.90
‡Southern Bell Tel. & T. 5s, 1941	81	6.70
§Western Union Tel. 4½s, 1950	78½	6.10
†Hudson & M. rf 5s, 1957 (Ser. A)	61	8.50
‡Columbia G. & E. 1st 5s, 1927	82	8.45
§Pub. Ser. N. J. 5s, 1959	66	7.85
§Int. Rap. Transit 5s, 1966	53	9.75

Railroad Bonds Legal for Savings Banks N. Y. State

First Grade:		
‡So. Pac. Ref. 4s, 1955	75	5.65
§Lou. & Nash. Unified 4s, 1940	81½	5.50
§Atl. Coast Line 4s, 1952	78	5.45
§C. Bur. & Quincy Ill. 3½s, 1949	72½	5.40
‡Union Pac. 1st 4s, 1947	81	5.35
‡Atch. T. & Santa Fe Gen. 4s, 1995	76½	5.25
§Chi. & N. W. Gen. 5s, 1987	94½	5.30
‡Union Pacific Ref. 4s, 2008	76	5.30
†Nor. & West Cons. 4s, 1996	76¾	5.25
§N. Y. Cent. 1st 3½s, 1997	69	5.15
§Lake Shore 1st 3½s, 1997	70	5.05
§Ill. Cent. Ref. 4s, 1955	75¼	5.60
§M. St. P. & S. S. M. 4s, 1938	79	5.95
§C. B. & Quincy Gen. 4s, 1958	79	5.30
§Del. & Hudson Ref. 4s, 1943	79	5.60
Second Grade:		
‡N. Y. Cent. Ref. 4½s, 2013	79	5.70
†Nor. Pac. P. L. 4s, 1997	77½	5.20
§Gt. Northern 4¼s, 1961	81	5.40
§Pennsylvania Cons. 4½s, 1960	90	5.10
†Nor. Pac. 3s, 2047	55⅝	5.40
§C. M. & St. Paul Gen. 4s, 1989	69¼	5.75
§Pennsl. Gen. 5s, 1968	90½	5.65
†Nor. Pac. Ref. 4½s, 2047	78	5.75
†C. M. & St. P. Conv. 5s, 2014	72	6.95
†C. M. & St. P. Conv. 4½s, 1932	71½	8.30
‡Balt. & Ohio P. L. 3½s, 1925	81½	8.20
†C. M. & St. P. Ref. 4½s, 2014	61½	7.35
‡Balt. & Ohio 1st 4s, 1948	71	6.20

Not Legal for N. Y. Savings Banks

First Grade:		
‡Union Pac. Conv. 4s, 1927	81	7.60
§Peoria & Eastern Cons. 4s, 1940	65	7.40

§So. Pac. Conv. 4s, 1929	78	7.40
§Colo. & South 1st 4s, 1929	83	6.55
‡Atch. T. & Santa Fe Adj. 4s, 1995	70	5.75
‡South. Pac. Col. 4s, 1949	71	6.15
§Atl. Coast Line L. & N. 4s, 1952	72	6.00
§Ches. & Ohio Gen. 4½s, 1992	76¾	5.90
‡Cen. Pac. Ref. 4s, 1949	71	6.20
§Ore. Short Line Ref. 4s, 1929	80½	6.95
§Lake Shore Deb. 4s, 1931	83	6.15
†Ore.-Wash. R. R. & N. 4s, 1961	71	5.95
†Western Pac. 1st 5s, 1946	85	6.20
‡Ill. Cent. C. St. L. & N. O. 5s, 1963	84½	6.00
‡So. Pac. Conv. 5s, 1934	110	4.00
§N. Y. Cent. L. S. 3½s, 1998	63	5.60
§Kan. City Term. 4s, 1960	74	5.65
§South Ry. Cons. 5s, 1994	88⅝	5.70
§New Orleans Term. 4s, 1953	65	6.70
§Ill. Central 5½s, 1934	91	6.50
§St. Louis S. W. 1st 4s, 1989	68¾	6.00
§Reading Gen. 4s, 1997	86	4.70
§San Ant. Ar. Pass 1st 4s, 1943	62½	7.35
Second Grade:		
§St. Louis S. W. Cons. 4s, 1932	64⅝	8.80
§Wabash 1st 5s, 1939	85¾	6.30
§Kan. City South 3s, 1950	53½	6.50
†St. Louis S. F. P. L. 4s, 1950	61½	7.10
§Rio Grande West 1st 4s, 1939	67¼	7.15
‡Den. & Rio Grande Cons. 4½s, 1936	70¾	7.75
§C. C. C. & St. L. Deb. 4½s, 1931	77	7.60
§N. Y. C. & St. L. 1st 4s, 1937	80	5.95
§C. R. I. & Pac. Gen. 4s, 1988	72¾	5.60
†Virginian 1st 5s, 1962	84¾	6.00
†Pere Marquette 5s, 1956	84½	6.10
§Ches. & Ohio Conv. 4½s, 1930	74	8.40
†Colo. & South. Ref. 4½s, 1935	75½	7.20
§Rio Grande West. Col. 4s, 1949	54	8.15
‡Ches. & Ohio Conv. 5s, 1946	85	6.20
†N. Y. Cent. Conv. 6s, 1935	91⅜	6.90
‡C. R. I. & Pac. Ref. 4s, 1934	67	8.00
§Cent. of Ga. 6s, 1929	89	7.75
§Kan. City South. Ref. 5s, 1950	74	7.10
§South. Ry. Gen. 4s, 1956	61½	7.00
§Balt. & Ohio 6s, 1929	92	7.20
†St. Louis S. F. Adj. 6s, 1955	65½	9.40

† Smallest denomination $100.
‡ Smallest denomination $500.
§ Smallest denomination $1,000.

RECENT ELECTION CENTERS INTEREST ON U. R. R. 4s.

(*Continued from page* 114)

of the securities exchangeable for the 4s, has been made. Estimates of value in case of sale have been made at various prices within the possible limits of the upset price. In order to make these values conservative, no consideration is taken of a possible distribution of cash now in the treasury amounting to $1,600,000.

In the first plan the present securities of the company have been liquidated from the top down, assuming the seemingly unlikely contingency that the reorganization does not go through (See Table IV).

In the second plan the securities are liquidated from the top down with the reorganization plan in effect (See Table IV).

In the third and fourth plans, consideration is taken of the possible effect of the reorganization plan upon the junior security holders. Obviously the equity of the junior securities does not bear a ratio to that of the 4s according to the par value of the securities exchangeable for each, but might be estimated more fairly on a basis of hypothetical market values based on earnings available to cover the interest and dividends of each of the several securities to be issued. Plan number three is worked out on this basis as in Table II.

Table III shows the estimated market value of the securities exchangeable for the 4s based on current earnings as applied to the reorganized capitalization.

From the ratio of market values obtained from Table III we thus, under the third plan, have a basis for apportioning the distribution of the funds, so that after the prior liens, including the amount of Market Street 5s previously outstanding, are liquidated, the surplus is divided in the ratio of 11.993 to 3.212 (See Table IV).

The fourth plan, while appearing improbable, is presented as a contingency only that it may present the worst outlook possible. In this plan the junior equity is based on the par value of the securities exchanged as compared with the par value of those exchanged for the 4s. The ratio in this case is 23.5 to 12.175 (See Table IV).

How the Sale Prices Are Derived

The several sale prices at which liquidation of the United R. R. 4s is figured are derived as follows: The lower value, $40,000,000, corresponds closely to the valuation placed on the property by the California Public Utilities Commission, and the highest one, $50,000,000, agrees with the valuation assigned by the company's engineers. There should be a common meeting ground for the two contracting parties somewhere between these two values.

In the contingency that the property is not sold but reorganized, the total market value of the securities exchangeable for the 4s would be (as estimated under plan 3) $11,993,000. As there are $23,500,000 of the 4s now outstanding, the ratio of these two amounts is the market price. It is 51. The Market Street 5s, it will be noticed, are evaluated on a 9% basis, at which rate they would be worth 88¼.

In the event of the United R. R. or their successor company, the Market Street Railway, continuing as an operating entity, there would seem to be every assurance of their future success. The present management is an able one. It has maintained the property in the best order and it is in more than 80% operative condition. Maintenance and depreciation are low on the Pacific Coast as compared with the snow storm area of the East. The company is at present in a strong cash position, having $1,600.000 in its treasury.

There is also the likelihood of an increased fare as the municipal lines are operating at a loss and there could not be an increase granted to them without at the same time granting one to the United R. R., as an increase to either one singly would be confiscatory.

Conclusions

It would appear that whether the property is sold or not, the United R. R. 4s (certificates of deposit) are a good purchase at present levels and that the Market Street 5s are attractive as high yield bonds with good chances of appreciation.

LEGAL VICTORY SECURES FUTURE OF OUR AIRPLANE INDUSTRY

(*Continued from page* 101)

description of the E-2. On the drawing tables in the Wright company's shops at Paterson are two really experimental models whose performance cannot be foreseen. If they prove successful, the art of engine manufacture will undoubtedly be revolutionized. Not a task has been left undone on these two experimental models. In the not-distant future it will be known positively whether or not a radial engine of the Wright type is a possibility.

The two experimental engines and the modified E-2 and H-2 motors are so clearly American products, that the Wright Aeronautical Company has decided to drop the foreign type name of "Hispano" in the Wright engine products. Now that the sixth American model, the H-2, has been completed, retaining only one or two of the original foreign features of design, the officials of the company believe that it is time also to drop the foreign name. Though the fact has not been made public, the company's product in the future will be known solely under the American name of "Wright engines."

Under the protection afforded it by virtue of its ownership of the basic airplane patents, the Wright Aeronautical Corporation has put under way many ambitious plans to further develop its engines for use in aircraft designed for commercial purposes. The corporation has no funded debt of any kind and has outstanding 224,390 shares of no par common stock. Its operations have been financed entirely from its own resources. The corporation is under conservative though forward-looking management. The officers are as follows: President, George H. Houston; vice-president and general manager, F. B. Rentschler; vice-president, E. S. Gilmore; secretary and treasurer, James F. Prince.

The dream of centuries has come true. We are now entered on what the historians of the future will doubtless call "The Flying Age." If the American airplane industry is afforded only a small fraction of the Federal aid and encouragement which is its just due, in line with the aid now being furnished by certain foreign powers to their airplane manufacturers, the United States will undoubtedly soon take first place in the science of aviation, a place that is rightly ours by right of discovery.

Inasmuch as the Wright Aeronautical Corporation has not as yet published any balance sheet or operating statements it is difficult to arrive at a proper evaluation for the outstanding shares of the corporation. However, it should be borne in mind that the bulk of the assets taken over from the Wright-Martin Aircraft Corporation were transferred to the International Motor Truck Corporation under an arrangement whereby stockholders who assented to the plan received stock in the latter corporation in exchange.

AMERICA'S HUGE EXPORTS

During the fiscal year ended June 30, 1821, the total value of all export shipments from the United States aggregated $51,683,640. Today, American manufacturers transact about 12 times that much export business in a single month—the exports from September, 1920, amounting to $606,000,000.

Of the $51,000,000 export total for 1821, $31,000,000 represents crude materials for use in manufacturing; $12,000,000, foodstuffs, crude, partly or wholly manufactured; $4,000,000 manufacturers for further use in manufacturing.

Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

Atchison, Topeka & Santa Fe.—Company announces contracts are being completed for delivery of $18,000,000 worth of new equipment, including 2,000 refrigerator cars and 500 coal cars. The same equipment would have cost $6,000,000 before the war.

Chicago & Alton.—Just compensation to the Chicago & Alton Railroad Company for each year of Federal control was fixed at $3,178,314 in report submitted to the Interstate Commerce Commission by referees appointed last May to review the case. The road claimed $4,592,500 a year.

Chicago, Indianapolis & Louisville.— Notices have been posted at the company's shops announcing a 25% reduction in the working force of the locomotive department. This is the second cut since September.

Denver & Rio Grande Western.—First meeting of the newly incorporated Denver & Rio Grande Western Railroad Co. will be held November 24. The company was formed with a capital of $150,000,000, to take over the Denver & Rio Grande Railroad, which had been ordered sold on November 20, to satisfy a judgment of $36,000,000 in favor of the Western Pacific.

Grand Rapids & Indiana.—Stockholders have been notified of the desire of the Pennsylvania company to purchase the minority stock and to pay for same par for par in second mortgage 4% bonds of the Great Rapids & Indiana Railway now owned by the Pennsylvania Co., that is to say on the basis of a $1,000 bond for each 10 shares of stock $100 par per share. For any shares less than 10 in number which may be deposited non-interest bearing script will be issued, convertible into the bonds when presented in sums aggregating in par $1,000. Pennsylvania Railroad Co. has offered to lease Grand Rapids & Indiana for a term of 999 years upon the general basis of paying a rental sufficient to cover its fixed charges which would include the interest on the second mortgage bonds above referred to and a dividend of 4% upon the stock.

Gulf, Mobile & Northern.—Commerce Commission approved a loan of $515,-000 to aid the carrier in providing itself with six freight and switching locomotives at estimated total cost of $227,400 and additions and betterments to equipment and way and structures at an estimated total cost of $403,500. The carrier itself is required to finance about $114,000 to meet the loan of the Government.

Lehigh & Hudson River.—Commerce Commission is asked for authority to issue $2,987,000 capital stock. The proceeds are to be used to pay all the mortgage debt of the company, amounting to $2,587,000, due under a mortgage dated July 1, 1890, which matured on July 1, 1920; also to pay all the debenture bonds of the company issued under a trust agreement dated May 1, 1907, amounting to $400,000, which also matured on July 1, 1920.

Maine Central.—No action was taken on declaration of usual $1.25 quarterly dividend on preferred stock at monthly meeting of directors of Maine Central. President McDonald advised that operating conditions did not warrant consideration of dividend at present. This is the first time in the company's history that one has not been declared.

New York, New Haven & Hartford.—Company has applied to the Commerce Commission for authority to issue $80,000,000 first and refunding 6% bonds maturing in ten years. The carrier also asks permission to pledge the bonds as security for a note to be given the Government to fund the carrier's indebtedness incurred during Federal control. The carrier states that it is impossible at this time to give the exact amount of the note, but estimates it at about $60,000,000. It also asks for authority to issue a bond for $15,000,000 at 6% to run 15 years, to be pledged as security for a loan from the Government of $8,130,000.

Pennsylvania. — Notices have been issued dropping from the payrolls of the company's Altoona, Pa., shops 1,350 men, or approximately 15% of the total force, effective at the expiration of the customary five days' notice. This is a permanent reduction in force and not a temporary layoff. It is necessitated by a reduction in the volume of repair work now coming into the shops.

Pittsburgh, Cincinnati, Chicago & St. Louis.—As all but a very small percentage of the minority stockholders of the company have accepted the offer made last spring by the Pennsylvania Co. to buy their shares, and as the question of leasing the property to the Pennsylvania R. R. Co. will be submitted to a special meeting of the "Panhandle" stockholders, it has been decided to reopen and extend until December 31 of the present year the offer to purchase the remaining outstanding stock.

St. Louis-San Francisco.—Deliveries of 42,000 tons of new rails are now being made by the United States Steel Corporation to this company. The purchase was made three years ago at $40 a ton as against the present market price of $47 or thereabouts. When all deliveries are in, the road will be a little ahead in the matter of new rail equipment over and above the supply needed for immediate repairs.

Southern Railway.—Engineering plans have been completed and construction begun on the new double-track bridge of the Cincinnati, New Orleans & Texas Pacific Railway which will span the Ohio river between Cincinnati and Ludlow, near Covington, Ky. The C., N. O. & T. P., which is a part of Southern Railway system, has let a contract to American Bridge Co., which calls for the completion of the work within two years.

Southern Railway also reports satisfactory progress in its car building program. Since the termination of Federal control on March 1, a total

of 1,093 freight cars have been built and placed in service on its lines. This additional equipment consists of 555 entirely new steel under-frame box cars and 538 steel frame coal cars, rebuilt from bad order coal cars which were totally unfit for service and past the stage for economical repair.

Texas & Pacific.—The suit of the holders of a majority of second mortgage bonds against the company to recover interest alleged to be due in the sum of approximately $27,000,000, has gone to trial in the Federal Court in New Orleans. The railroad claims that the agreement with the bondholders was that care of the property should precede payment of interest and all the money available was needed to make the road a safe carrier.

INDUSTRIALS

Ajax Rubber Co.—Dividend reduced. In view of existing financial and business conditions, the directors have deemed it wise to reduce the quarterly dividend, payable December 15th to stock of record November 30th, from $1.50 to $1 a share, thus placing the stock on a $4 annual basis.

Allis-Chalmers Manufacturing Co.—Net profits, after Federal taxes, for the quarter ended September 30th last, were $925,325, equivalent, after preferred dividends, to $2.49 a share on the outstanding $25,770,750 common stock. This compares with net profits of $832,746, or $2.13 a share, in the preceding quarter and with $916,309, or $2.45 a share in the corresponding quarter of 1919.

For the nine months ended with September, net profits totalled $2,525,287, equivalent to about $6.50 a share on the common stock, after allowing for preferred dividends. This compares with $2,839,278, or $7.72 a share on the common stock in the same period of 1919. Unfilled orders on hand, September 30th last, amounted to $19,814,948, against $14,542,704 on the corresponding date of 1919.

American Cotton Oil Co.—Deficit. The financial report for the year ended August 31st last, shows a deficit, after taxes and charges, of $2,394,531, which compares with a surplus of $1,844,214, or $6.08 a share, earned on the $20,237,100 common stock in the preceding year, after deducting preferred dividends.

American International Corp'n. — Dividends passed. "In consequence of the exceptional circumstances and requirements at this time," the directors at their meeting on November 18th decided to omit the usual quarterly dividend of $1.50 a share on the common stock and the regular quarterly payment due on the $1,000,000 preferred stock outstanding. The initial quarterly dividend of 75c a share on the common stock was paid December 30th, 1916, which rate was continued until December 31st, 1917. From then until June 30th, 1919, regular quarterly dividends of 90c a share were paid. The rate was increased on June 30th, 1919, to $1.20 a share, and on December 31st, last, to $1.50 a share, which rate was continued until the present.

American Sugar Refining Co.—Extra dividend omitted. The company has omitted the extra dividend of ¾ of 1% on the common stock, which the company has been paying quarterly since 1918. The regular quarterly dividends of 1¾% on both the common and preferred stocks have been declared, both payable January 3d to stock of record December 1st.

Atlas Tack Corp'n.—Net earnings of this company, whose stock was recently admitted to trading on the New York Stock Exchange, were $245,138 in the nine months ended September 30th, last, and the total is expected to run well over $300,000 for the full year. The company is said to be in a strong cash position, with cash and Government securities amounting to $315,900, compared with total current liabilities of $93,700. Total net quick assets amount to $1,373,800, or over $14 per share on the outstanding capital stock.

Chicago Pneumatic Tool Co.—Net income, after charges and Federal taxes, for the nine months ended September 30th last, was $1,025,813, equivalent to $7.95 a share on the $12,897,600 capital stock outstanding. This compares with net income of $455,434, or $7.06 a share on the $6,448,800 capital stock in the corresponding period of 1919.

Consolidated Textile Corp'n.—New Stock. The directors have voted to issue approximately 535,274 shares of authorized but unissued stock at $21 a share. Holders of record on November 22nd are to have the right to subscribe for two shares of the additional stock for each share held. It is stated that the proceeds of this issue will be used to pay for the business and properties of the B. B. R. Knight, Inc., said to be one of the largest manufacturers of cotton cloth in the world.

Continental Motors Corp'n.—Operations resumed. After a shutdown of three weeks the company has started to hire men for operating its plant in Muskegon, Michigan. The company is one of the largest makers of automobile motors in the world, and the fact that it is resuming plant operations is considered an excellent indication of reviving activity in the automobile industry.

Crucible Steel Co. of America.—Annual report covering the year ended August 31st, last, shows net profits, after charges and Federal taxes, of $11,780,021, equivalent, after preferred dividends, to $20.06 a share on the $50,000,000 common stock outstanding. This compares with $9,574,208, or $31.29 a share on the $25,000,000 outstanding common stock in the preceding year. Current assets, as of August 31st, last, amounted to $44,093,918, and current liabilities to $15,847,296.

Cuba Cane Sugar Corp'n.—Annual report covering the year ended September 30th, last, shows net profits, after charges, Federal taxes, and depreciation, of $12,344,134, which is equivalent, after deduction of preferred dividends, to $17.69 a share on the 500,000 outstanding shares of common stock of no par value. This compares with net profits of $7,384,580, or $7.77 a share, in the preceding year. The corporate surplus on September 30th, last, amounted to $23,473,102.

East Coast Fisheries Co.—Receivership. For the purpose of reorganizing and carrying on the business of both companies, the East Coast Fisheries Co. and the East Coast Fisheries Products Co. have entered a friendly receivership and General G. W. Goethals, president of both companies, and Harry M. Verrill, of Portland, Maine, have been appointed co-receivers. It is stated that the assets of each company are

several times the liabilities, and that the companies have no bank obligations. The receivership action is the result of inability to realize immediately and advantageously on a large inventory of manufactured products, due to present stagnation of the salt fish market.

General Electric Co. — New Stock. The directors have authorized the issuance of $27,500,000 additional stock, which will be offered to stockholders of record December 8th at par at the rate of one share of new stock for every five shares of old stock held. Payment for the new stock may be made in full at the time of subscription, or in four equal instalments.

Gillette Safety Razor Co.—Net earnings for October were $870,384, as compared with $731,563 for the same month in 1919, an increase of 19%. For the 10 months ended October 31st, last, net earnings increased 8.67% over 1919. In October the company did the largest business in its history.

Goodyear Tire & Rubber Co.—Dividend passed. For the first time in the company's history the directors have passed the regular quarterly dividend on the common stock for the coming quarter. In explanation of their action the directors gave as reasons the present financial and business conditions and the necessity of conserving the cash resources of the company. Subsequently a letter was mailed to the stockholders setting forth the condition of the company's business and assuring them as to the soundness of their investment.

Hupp Motor Car Co.—Large Earnings. For the three months ended September 30th last, the company reports net earnings, after taxes, of $843,535, or more than was earned in any year prior to the fiscal year ended June 30th last, when $2,668,299 was reported. Net for the last quarter was equivalent to $1.59 a share on the common stock ($10 par value), after preferred dividends.

The balance sheet as of September 30th shows net quick assets of $3,866,604, equivalent to $5.80 per share of common stock, after deducting preferred stock at par, as compared with a market price of $12 a share. On that date the company was borrowing no money and had in cash and Government securities a total of over $1,900,000.

J. I. Case Threshing Machine Co.—Stock dividend. A stock dividend of 39,000 shares of new common stock, payable December 15th to stock of record, November 29th, will be distributed ratably to the holders of the present 91,000 shares of common stock outstanding. No certificates will be issued for fractional shares. Scrip will be issued for fractional shares convertible into common stock in amounts of a full share or more, and this scrip will not carry dividends until converted into stock.

Packard Motor Car Co.—Annual report covering the 12 months ended August 31st last, shows net profits, after charges and taxes, of $6,395,468, equivalent, after preferred dividends, to $4.51 a share on the $11,885.100 common stock ($10 par value). This compares with net profits of $5.433,634, or $41.15 a share on the $11,840,930 common stock ($100 par value) in 1919.

The balance sheet as of October 31st last indicates a decidedly favorable position, total current assets, including inventories, being $40.116,590, and current liabilities $12.442,005, which figures compare with $46,271,381, and $18,131,165, respectively, on the same date of 1919. Cash on hand amounted to $4,314,810, against $3,409,248 in the previous year.

Singer Manufacturing Co. — Stock Dividend. At a recent special meeting of the stockholders the proposal of the directors to increase the capital stock from $60,000,000 to $90,000,000 and to declare a stock dividend of 50% was ratified.

South Porto Rico Sugar Co.—Annual report covering the 12 months ended September 30th, last, shows surplus, after interest, Federal taxes and depreciation, and a reserve of $3,070,000 set aside for working capital, of $2,176,037, which is equivalent, after allowing for 8% dividends on the $5,000,000 preferred stock, to $15.85 a share on the $11,205,600 common stock. This compares with a surplus of $1,536,248, or $20.28 a share on the $5,602,800 common stock in the preceding year.

Stewart-Warner Speedometer Corp'n.—Net profits, after charges and Federal taxes, in the 9 months ended September 30th last, were $1,791,426, equivalent to $4.47 a share on the 400,000 shares capital stock of no par value.

In his report President Smith, of the company, points out that the company has no bonded indebtedness and owes no money. He states that large additions to the plant are nearing completion and that approximately $1,000,000 has been spent on such additions this year.

Transue & Williams Steel Forging Co.—Plant resumes. The company's plant at Alliance, Ohio, which suspended operations some time ago, has resumed in full. Officials of the company express confidence that operations at 60% of capacity can be maintained for the remainder of the year, and that after January 1st 100% operations may be resumed.

United Alloy Steel Corp'n.—Plants closed. The company has closed its blast furnaces and open hearth furnaces, with the intention of reopening the same on January 1st, next, at 50% operating capacity. It is stated that the steel mills of the company will not be shut down for the present, but will probably remain open to manufacture certain steel products for which there is a considerable current demand. It is the hope of the management that substantial orders will be received by the first of the year, not only from the company's automobile customers, but also from other lines. A large part of the company's production goes into the manufacture of automobiles.

United Cigar Stores Co. of America.—Net profits in the [illegible] months ended August 31st, last, after fixed charges and taxes, were $2,965,721, equivalent, after preferred dividends, to $9.13 a share on the $29,878,200 outstanding common stock.

Weber & Heilbroner, Inc.—Earnings. In a statement filed with the New York Stock Exchange prior to the listing of its stock, the company reported for the six months ended August 31st, last, surplus after expenses, charges, and preferred dividends, of $160,359, equivalent to 92 cents a share on the outstanding 173,477 shares of common stock of no par value.

Woolworth (F. W.), Co.—October sales were $13,242,233, compared with $10,745,534, in October, 1919, the percentage of gain being 23.23. The company's sales for the 10 months ended October 31st, last, amounted to $106,970.020, against $89,124,660, or a gain of about 20% for the year to that date.

MINING NOTES

Alaska Gold Mines Co.—Deficit. For the quarter ended September 30th last the company reports a deficit of $81,059, comparing with a deficit of $61,862 for the preceding quarter and a deficit of $27,289 for the September, 1919, quarter.

For the nine months ended September 30th last the total deficit amounted to $224,356, against a deficit of $190,557 for the same period of 1919.

Butte & Superior Mining Co. Deficit. For the quarter ended September 30th last the company reports a deficit, after charges, of $102,218. This compares with a deficit of $147,002 in the preceding quarter, and with profits of $300,283, or $1.03 a share in the September quarter of 1919.

Profits for the nine months ended with September totalled $378,036, equivalent to $1.30 a share (par $10), on the $2,901,977 capital stock outstanding. This compares with $394,130, or $1.35 a share, in the same period of 1919.

Owing to the high cost of operations, and the low price of zinc, the company has ordered a shutdown of its property as far as the production of zinc is concerned. A campaign of moderate underground development, however, will be continued during the period of non-production.

Consolidated Interstate Callahan Mining Co.—Deficit. The company reports for the quarter ended September 30th last, total income of $321,925, compared with $386,397 for the June quarter, and a total deficit, after costs, improvements, etc., of $28,371, against a surplus of $44,738 for the preceding quarter.

Nevada Consolidated Copper Co.—Deficit. For the quarter ended September 30th last the company reports a deficit of $83,180, after depreciation and charges. This compares with profits of $384,000, equivalent to 19c a share ($5 par), earned on the $9,997,285 capital stock in the preceding quarter, and with $464,449, or 23c a share, in the corresponding quarter of 1919.

For the nine months ended with September, total profits were $516,403, or 25c a share on the capital stock, against $538,068, or 26c a share, in the same period of 1919.

Ray Consolidated Copper Co.—Deficit. For the 3 months ended September 30th last, the company reports a deficit of $52,149, as compared with profits of $387,255, or 24c a share ($10 par value), earned on the 1,577,179 shares of stock in the preceding quarter, and with $932,147, or 59c a share, in the corresponding quarter of last year.

For the 9 months ended September 30th last, total profits were $972,406, equivalent to 61c a share on the capital stock. This compares with $1,096,214, or 69c a share, earned in the corresponding period of 1910.

Shattuck-Arizona Copper Co.—For the quarter ended September 30th last, the company reports a deficit, after expenses and depreciation, of $19,110. This compares with a deficit of $27,553 in the preceding quarter, and with net income of $54,303 in the quarter ended September 30, 1919.

United States Gypsum Co.—Stock dividend. The directors have declared an extra stock dividend of 5% on its common stock, payable on December 31st to stockholders of record December 15th. The dividend amounts to $195,245, par value, and increases the company's outstanding stock to $4,100,145.

Utah Copper Co.—Financial report covering the quarter ended September 30th last, shows total profits of $502,953, equivalent to 31c a share ($10 par), on the $16,244,900 capital stock, as compared with profits of $2,240,470, or $1.38 a share, in the preceding quarter, and $2,419,512, or $1.48 a share, in the corresponding quarter of 1919.

For the nine months ended September 30th last, total profits aggregated $5,614,012, equal to $3.45 a share, as compared with $5,552,939, or $3.41 a share in the same period of 1919.

PUBLIC UTILITIES

American Water Works & Electric Co., Inc.—Gross earnings of both the water works properties and the power and railway properties of the company for the quarter ended September 30th last, were $5,013,497, as compared with $3,991,403 for the corresponding quarter of 1919, and net earnings were $330,945, against $345,331. Net income, after interest charges, taxes, etc., was $124,077, against $135,743 last year.

Boston Elevated Railway Co.—A deficit of $1,039,147 is reported by the company for the three months ended September 30th last. Applying the $17,080, balance left for the year ended June 30th, 1920, leaves a net deficit as of October 1st, last, of $1,022,000. In addition to this amount there is $435,346 back pay, which was paid in October, 1919, but applied to the months of May and June, 1919, for which provision has not yet been made.

Cities Service Co.—October gross was $1,979,787, an increase of $481,109 over the total for October last year, and surplus after charges was $1,762,347, an increase of $480,657.

For the 10 months ended with October, gross was $20,929,315, an increase of $4,322,468 over the corresponding period of 1919, and surplus after charges was $18,734,786, an increase of $4,317,653.

Columbia Gas & Electric Co.—October gross earnings amounted to $1,212,999, an increase of $273,241 over October last year, and surplus, after taxes and fixed charges, amounted to $366,772, an increase of $174,738.

For the 10 months ended with October, gross earnings were $11,801,015, an increase of $2,275,413 over the corresponding period of last year, and surplus after taxes and fixed charges amounted to $3,870,288, an increase of $1,442,579.

Detroit Edison Co.—Gross revenue for October, amounted to $2,009,547, compared with $1,539,272 for October, 1919, and surplus, after charges, taxes, etc., was $224,712, against $208,254.

For the ten months ended with September gross revenues amounted to $17,483,765, against $13,130,801 for the corresponding period of 1919, and surplus after fixed charges, taxes, etc., was $1,262,915, against $1,947,085.

Laclede Gas Light Co.—Improved earnings. In a report filed with the Missouri Public Service Commission, covering the twelve months ended July 31st, last, surplus earnings, after depreciation, taxes, and fixed charges, of $510,197, is shown to be available for dividends. After the preferred dividend requirements, earnings were equal

to $3.59 a share on the 107,000 shares common stock outstanding.

Montana Power Co. — Increased earnings. It is expected that for the 1920 **fiscal year** the company will show earnings of about $6 a share on the common stock. In the first nine months of the current year, earnings were close to $4 a share. In 1919 the company reported earnings of $3.43 a share.

With a continuation of the present good earnings, it is thought the common stock stands a good chance of being restored to its former $5 dividend basis.

Nevada-California Electric Corp'n.—September gross was $291,191, an increase of $60,779 over September, 1919, and surplus after charges, taxes, etc., was $89,649, an increase of $43,155.

For the nine months ended with September, gross earnings were $2,377,552, an increase of $386,806 over the corresponding period of 1919, and surplus after charges, taxes, etc., was $566,322, an increase of $122,213.

Philadelphia Rapid Transit Co.—Gross earnings in October were $3,-336,535, an increase of $171,043 over October last year, and surplus after fixed charges, taxes, etc., was $125,368, a decrease of $131,438. For the 10 months ended with October gross earnings were $31,191,329, an increase of $2,303,346 over the corresponding period of last year, and surplus after fixed charges, taxes, etc., was $485,379, a decrease of $978,379.

San Joaquin Light & Power Corp'n.—Initial dividend. The corporation has declared an initial dividend of $1.75 per share on the prior preference stock, and the regular quarterly dividend of $1.50 on the preferred stock, both payable December 15th to stockholders of record November 30th.

Western Union Telegraph Co.—September gross amounted to $10,414,304, against $9,083,220 for September last year, and net operating income totalled $1,467,118, against $1,784,294.

For the nine months ended with September, gross earnings were $90,355,103, against $74,589,446 for the corresponding period of 1919, and net operating income was $13,077,974, compared with $14,796,297.

OIL NOTES

Caddo Central Oil & Refining Co.—October net earnings, after all interest and taxes, were $170,208, and for the 10 months ended October 31st, last, $1,238,503. For the 10 months, therefore, the company earned nearly $10 a share on its 150,000 shares of outstanding capital stock, or at the rate of about $11 a share for the full year.

Charles F. Noble Oil & Gas Co.—Gross earnings for the quarter ended September 30th last, were $2,336,437, as compared with $1,552,911 in the second quarter. Net was $838,111, as against $554,693, the increase in earnings being partly accounted for by the operation of the new 6,000-bbl. refinery, which the company opened last June.

The company's capitalization consists of $1,000,000 preferred and $9,500,-000 common stock, and last quarter's earnings were equivalent to more than 33% annually on the common.

Houston Oil Co. of Texas.—Oil sales during the quarter ended September 30th last, amounted to $718,281. After deduction of expenses, depletion and depreciation, surplus amounted to $428,-626, equivalent, after allowing for preferred dividends, to $1.18 a share on the outstanding $25,000,000 common stock. In the foregoing figures the company's income from investment in the Kirby Lumber Co. is not included. This is estimated at about $400,000 for the period.

Invaders Oil & Refining Co. — Financial statement. The company, which is a producing, transporting, refining and marketing organization, operating in Kansas, Oklahoma, Texas and Louisiana, and which has leases on 26,000 acres of oil lands in those states, reports for the first six months of 1920 earnings of $587,672. After payment of dividends aggregating $192,885, there was a surplus of $394,787 for the period. Assets as of June 30th last were $5,-658,600, against issued capital amounting to $2,003,530.

The shares of the company were recently admitted to trading on the New York Curb market.

Invincible Oil Corp'n.—Net earnings in the 8 months ended August 31st last, after expenses, but before depletion, depreciation, or Federal taxes, were $6,-157,638. Gross earnings for the period amounted to $8,736,228, and expenses to $2,578,590. The surplus for the period, after deducting depletion, depreciation, dry wells, etc., was $1,224,-110, making the surplus as of October 31st last, $6,724,636.

Island Oil & Transport Co.—Gross earnings of the company in the nine months ended September 30th last, were $9,185,049, and the net income $5,407,653. After expenses, charges, depreciation, etc., there was a surplus of $4,680,936 for the period, which was equal to $2.08 a share ($10 par), on the $22,500,000 capital stock.

Mexican Petroleum Corp'n.—October shipments from Mexico totalled 3,039,-583 barrels of oil, an increase of 344,-391 barrels over the company's September shipments. It is estimated that the company is now shipping at the rate of nearly 40,000,000 barrels per year from its Mexican properties, having recently brought in several big gushers in the Chinampa-Amatlan and Zacamixtle fields.

Pennock Oil Co.—Net earnings for the third quarter ended September 30th, last, were $319,443, which compares with $217,977 for the previous quarter, and with $135,851 for the first three months of this year. The balance sheet, as of September 30th last, shows current assets of $636,870, of which $374,089 was cash, and current liabilities of $148,550. Total assets and liabilities amounted to $5,044,216. On September 30th, last, the company had 212 producing wells.

Swan & Finch Co.—Capital increased. At a recent special meeting of the stockholders, the proposed increase in the capital stock from $2,000,000, consisting of 20,000 shares of common stock, par value $100, to $5,000,000, consisting of 40,000 shares, par value $25, and 40,000 shares, par value $100, was authorized. The directors are authorized to offer an issue of 20,000 shares of preferred stock at par for cash, to stockholders of record, November 10th, and are authorized to issue and dispose of this stock from time to time, at not less than par, for such purposes as the directors may authorize.

FROM ...TTLE ACORNS GROW"

...ograph and Record

PROGRESS AND PRESTIGE

1920

"Sound," declare numerous scientific authorities, "travels ROUND, in circles similar to the ripples formed by a stone thrown into a pool of water."

It is in conformity with this principle that the Emerson Music Master Horn is built, and the result is a reproduction remarkably natural, and free from mechanical blemishes.

There are ten different beautiful and substantially built models in the Emerson line, ranging in price from the sturdy, good-looking table model at $80.00 to the exquisite Adam pieces at $1,000.00.

We will be glad to mail you the handsome loose leaf catalogue which illustrates and describes the complete Emerson line. It will give you a TRUE conception of the dignity and prestige Emerson enjoys today. Send for it now, before you forget it.

The Emerson Building
206 Fifth Avenue
New York

CO... Inc., Emerson Bldg., New York

1920

The Emerson 10" Gold Seal Record of today. Many leading Musical Comedy and Vaudeville Stars record for Emerson. Among them are Eddie Cantor, Walter Scanlan, Arthur Fields, Irving and Jack Kaufman, Plantation Dance Orchestra, Sandford's Famous Orchestra, etc., etc.

Emerson Records and Phonographs

CULLINAN MANAGEMENT RESTORES PROSPERITY OF FORMER STANDARD OIL SUBSIDIARY

(*Continued from page* 118)

$2,000,000 8% cumulative in old stock and $4,000,000 in 8% cumulative new stock. Common stock outstanding amounts to $16,000,000. There is also outstanding $2,800,000 1st mortgage 6% bonds of the Petroleum Refining Company (now the Galena Signal Oil Company of Texas), due 1933, in addition to $720,000 Marine Equipment 6% bonds due serially. This latter issue is guaranteed by the Galena-Signal Oil Company, and is secured by the tank steamer now building and which is mentioned above.

The new financing now being undertaken by the company provides for the elimination of a considerable portion of the floating debt and increases the company's working capital by a substantial margin. Upon completion of the current offering, this item will amount to $14,307,000. This compares with $5,932,000 for 1919 and $6,459,000 for 1918. Working capital at the end of the year will be the biggest in the company's history.

The company has had a very remarkable dividend record, with the exception of the past two years. From 1869, the year of organization, to 1918, shareholders received dividends in varying amounts each year. Dividends since 1913 steadily dropped, however, owing to the straitened financial condition of the company and at the latter part of 1918 they were passed altogether. They have not been resumed since.

During the past ten years earnings have averaged about $1,500,000. Recently they have shown a rising tendency and it is estimated that earnings for 1920 will amount to $3,000,000. After making all deductions for interest on the total outstanding funded debt, after present financing is concluded, and after allowances for Federal taxes and depreciation, net earnings applicable to the common stock on the basis of the above estimate should amount to about $1,890,000 on the $16,000,000 outstanding, or about $11.81 a share.

It is some time since the crisis in Galena's affairs took place. Today the company looks to be in a healthy condition. Although earnings for 1920 will no doubt make a good showing, no dividends on the common stock are expected for some time yet.

The stock has had a violent decline, selling down to 39 this year, as compared with 143 in 1919 and 206 in 1916. It is now quoted at 50-54, and at this price it is undoubtedly selling too low, considering the improvement in the company's affairs and its reasonable prospects for dividends. vol. 24, p. 748.

BANKERS RECOGNIZE VALUE OF PUBLICITY WORK

Recent Convention Declares in Favor of Properly Disseminated Public Information.

For the first time in its history, the American Bankers' Association went on record in favor of bank advertising. Its action in this respect was instanced particularly by President Hawes' provision, giving the subject of advertising a place on the general program of the convention; secondly, by the holding of a conference on Bank Advertising and Publicity on the second evening of the convention; and, thirdly, by bringing to Washington the complete exhibit of the Financial Advertisers' Association, just as it was shown in June at the convention of the Associated Advertising Clubs of the World.

Speeches, made by many of the delegates to the Bankers' convention, emphasized the new regard in which financial advertising by high-class institutions is being held. In its report to the convention the Committee on Public Relations said: "Too long the American Bankers' Association has sedately refused to do homage to the power of properly disseminated public information, although the list of national associations developing such departments has grown apace." Mr. Fred Ellsworth, vice-president of the Hibernia Bank & Trust Co., said, in part:

"Probably the most significant concrete action of the American Bankers' Association in recent years along the lines of intelligent, continuous, educational publicity, was the authorization of a committee on Public Relations. This committee has a big purpose and with proper support and the undivided co-operation of the members of the American Bankers' Association, it can produce tremendous results by way of popularizing the profession of banking, making known to the average man just how necessary are the banker and his activities to the business world, and how genuinely helpful and advantageous are the functions of a bank to the individual, the firm, the corporation, the community and the nation."

MARKET STATISTICS

	N. Y. Times. 40 Bonds.	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails.	N. Y. Times. 50 Stocks High.	N. Y. Times. 50 Stocks Low.	Sales.
Monday, Nov. 8	72.35	81.51	83.21	79.56	77.94	1,192,683
Tuesday, Nov. 9	72.03	79.94	81.42	78.86	76.20	1,372,965
Wednesday, Nov. 10	71.81	80.62	82.10	77.64	75.60	1,280,333
Thursday, Nov. 11	71.74	79.95	81.99	77.78	76.06	807,705
Friday, Nov. 12	71.36	77.56	78.75	76.79	73 54	1,263,957
Saturday, Nov. 13	71.14	76.90	78.10	74.80	73.13	723,818
Monday, Nov. 15	70.70	76.63	78 95	74.58	72.69	1,090,019
Tuesday, Nov. 16	70.71	76.65	79.64	75.44	73 88	784,953
Wednesday, Nov. 17	70.60	75.21	77.72	74.47	71.27	1,096,879
Thursday, Nov. 18	70.34	74.36	77.20	72.96	70.88	1,124,662
Friday, Nov. 19	70.21	73.12	75.97	72.44	68.90	1,430,124
Saturday, Nov. 20	70.08	74.03	77.46	70.70	68.85	589,300

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
4%	Am Pow & Lt, c...	1 %Q	11-18	12- 1
5%	Am Tel & Cable....	1¼ %Q	11-30	12- 1
20%	Atlantic Refining, c.	5 %Q	11-22	12-15
12%	Atlas Powder, c....	3 %Q	11-30	12-10
....	Atlas Pdr, c s dv. e	5 %	11-30	12-10
$6	Calif Packing, c....	$1.50 Q	....	12-15
$4	Cer de Pasco (n p).	$1 Q	11-19	12- 1
$3	Chest Hill RR($50).	75c Q	11-20	12- 4
7%	Cinc Ball Crank, p.	1¾ %Q	....	11-30
8%	City Ice D (Cleve).	2 %Q	11-20	12- 1
7%	Cons Cigar, p......	1¾ %Q	11-24	12- 1
7%	Crane Co, p........	1¾ %Q	12- 1	12-15
16%	Crane Co, c........	4 %Q	12- 1	12-15
6%	Crex Carpet	3 %S	11-30	12-15
....	Cumberl'd Pipe L...	12 %	11-30	12-15
7%	Decker (A) & C, p.	1¾ %Q	11-20	12- 1
12%	Dom Oil (Tex)($10)	1 %M	11-10	12- 1
$3	Elk H Coal, p ($50).	75c Q	12- 1	12-10
7%	Federal Lt & Tr, p.	1¾ %Q	11-15	12- 1
7%	Fed Min & Smelt, p	1¾ %Q	11-25	12-15
30c	Holling Gold Min($5)	5cbi-M	11-17	12- 1
$1.75	Man Shirt, c ($25).	43¾c Q	11-22	12- 1
....	McCrory St C, c, a.	1 %	12- 1	12-15
7%	Montreal Cottons, p	1¾ %Q	11-30	12-15
6%	Montreal Cottons, c	1½ %Q	11-30	12-15
7%	Nat Cloak & Suit, p	1¾ %Q	11-23	12- 1
6%	N Y Phila & Norf..	3 %S	11-15	11-30
7%	Ogilvie Flr Mills, p.	1¾ %Q	11-22	12- 1
....	Ph C for G M, ext,	t$1	11-30	12- 8
$6	Phil Co for G M...	$3	11-30	12- 8
....	Phil El, 8% p ($25)	a45c	11-19	12-15
$1.75	Phil Elec, c ($25)..	43¾c Q	11-19	12-15
$6	Phil, G&N RR($50)	$1.50 Q	11-20	12- 4
6%	Pit, B&LE, p ($50).	3 %S	11-15	12- 1
7%	San Joa L&P,pr p.a	1¾ %Q	11-30	12-15
6%	San Joa Lt & Pr, p.	1½ %Q	11-30	12-15
$8	Sinclair Con Oil, p.	$2 Q	11-15	12- 1
$10	Solar Refining	$5 S	11-30	12-20
.....	Solar Refining, ext.	$35	11-30	12-20
7%	South Pr & Lt, p..	1¾ %Q	11-13	12- 1
6%	South Pr & Lt, c..	½ %Q	11-13	12- 1
12%	Stand Oil of Kansas	3 %Q	11-30	12-15
.....	Stan Oil of Kan, ex	3 %	11-30	12-15
20%	Stand Oil of Neb..	10 %S	11-20	12-20
7%	Stan Oil of N J, p.	1¾ %Q	11-26	12-15
20%	Stan Oil of N J, c	5 %Q	11-26	12-15
7%	Truscon Steel, p...	1¾ %Q	11-20	12- 1
7%	United G Im p($50)	1¾ %Q	11-30	12-15
10%	Valvoline Oil Co, c.	2½ %Q	12- 7	12-15
7%	Vic-Monagahan, p..	1¾ %Q	.....	12- 1
10%	Vic-Monagahan, c..	2½ %Q	.....	12- 1
.....	Waldorf Sys, c st d.	e5 %	11-20	12- 1
36%	Wichita Royalty....	3 %M	11-30	12-15
16%	Williams (E T) Oil	4 %Q	11-15	12- 1

aInitial dividend.
ePayable in common stock.
tPayable in Liberty Loan bonds.

MECHANICS OF BANK ACCEPTANCES

(Continued from page 76)

What is the underlying principle that ought to determine what classes of credit operations should be financed by means of bankers' acceptances? The answer to this question is found by observing what becomes of the bankers' acceptance after it has been offered for sale in the open market. It is bought by any bank that happens to have funds available for investment. That bank looks upon it as a secondary reserve. Should deposits decline, the bank knows it can instantly resell the acceptance in the open market. The bankers' acceptance market is the liquid reservoir of banks' secondary reserves. To this reservoir each bank contributes when it buys an acceptance and from it each bank may draw by reselling.

It follows that this reservoir should contain nothing but the most liquid form of credit. It would be fundamentally unsound if this reservoir contained items not issued with the intent of actual liquidation at maturity.

With this principle clearly before us—that the bankers' acceptance should always be based upon a self-liquidating transaction—let us now return to the provisions of the Federal Reserve act. It was the intent of the framers of the act to adhere strictly to this principle of liquidity. As in the case of every other human law, there are deviations that seem unavoidable at present and can be eliminated only as we find remedies whose effects would not be worse than the existing defects. On the whole, however, the intent of the law and regulations is to promote the soundness and liquidity of the acceptance, and consequently its value as a credit instrument.

First—Acceptances growing out of exports and imports. The intent here was to furnish an instrument that would bridge over the gap between the foreign and the American merchants. The Federal Reserve Board has ruled that such acceptances must be based upon actual shipments of merchandise sold and not upon more contracts between a principal and his foreign agent.

Second—Acceptances growing out of the domestic shipment of goods. The law provides that shipping documents conveying or securing title are attached at the time of acceptance.

Third—Acceptances secured by warehouse receipts or similar documents covering readily marketable staples. With reference to the latter two classes of acceptances, the Federal Reserve Board has, by its regulations, made it clear that the acceptance shall be used only to finance a definite step in the merchandising of commodities and not for the purpose of financing unsold commodities held for speculative purposes. If the goods are warehoused no acceptance based thereon should have a maturity longer than is necessary to effect a reasonably prompt sale, shipment or distribution. The goods must consist of staples that have a ready market, so that their value is readily ascertainable and so that the goods can be easily sold at any time.

READERS' ROUND TABLE

(*Continued from page* 119)

and overhead, and as wages, in known times, have never been reduced materially, prices of goods cannot be lowered to any great extent, except at the expense and misery of unemployment. So much for the *basic cost factor. The vital necessity* lies in the tax requirements of this country, nearly five billions yearly, and which cannot be met unless production and trade be kept up at near the peak of high prices, meaning 100 to 200% over pre-war figures, thereby reducing the value of the dollar to one-half or one-third, and, obviously, *the task of loan repayment in like proportion.*

With the assurance of a Republican government, the change bespeaks sufficient confidence in improvement to ease conditions materially, but this alone is, naturally, insufficient unless heroic and clean-sweeping action be taken to change the basis and fabric of the country's trade. The writer believes that the government's proper course would be to encourage the upkeep of near war prices, subject only to the right relation, of the prices of the commodities, to the labor involved, from start to finish, notwithstanding the probable disadvantage that might result in the United States export trade, because this only concerns a small percentage of the country's trade in normal times. If this would be a sacrifice it is nevertheless imperative for the natural restoration of foreign exchanges, and would only give Europe a rightful share of oversea business, not without ultimate indirect benefit to the U. S. A. as regards the credits due from there.

The prosperity of this country can in no wise be adversely affected by keeping up the level of prices and circulation, because labor and business men alike are elementarily only concerned in the margin of income over necessary outlays, and the present currency system of the country, if capably managed, is fully able to carry the load. The early popularity of the deflation policy made it dangerous and, unless strongly resisted, might become ruinous.

The older capitalists in investment securities would, naturally, when paid out, find their fortunes of less value than formerly, but that is justly unavoidable, and in this country of relative unimportance compared to other countries. Such investors, many occupying important political and financial positions, if not most of them, constitute the greatest obstacle to progress in the suggested direction, but this must and will eventually be put aside for the benefit of the nation, and, if one or the other class must bear the brunt now, the capitalists can stand it better. It seems inevitable, however, that the value of gold be changed to prevent further restriction of production, and it will behoove all lenders or investors to take care in specifying repayment in gold specie dollars, so that further repetitions of repayments in inflated currencies be forestalled, as occurred so generally in Latin American countries, as regards marks and francs, and now beginning in sterling.—L. G.

New York City, Nov. 3, 1920.

NO PAR VALUE STOCKS

Editor, The Magazine of Wall Street:

Sir—As a subscriber to your publication may I take the liberty of inquiring of you what are the objects, advantages and disadvantages of the issue of stock of no par value by corporations?—G.

Answer—The principal object desired by corporations issuing shares without par value is to do away with the evils of inflated capitalization, largely occasioned by the arbitrary and, in most cases, fictitious valuation designated by the dollar mark of par. As you are probably aware, par value frequently has little relation with actual value. A stock may have a par value of $100 a share and yet may not be worth more than the paper value of the certificates. Conversely, a stock may be designated by $50 par value and yet may actually be worth many times that amount. There are numerous instances of stocks listed on the New York Stock Exchange that illustrate this point.

There is a further aim in issuing shares without par value, namely, to eliminate the danger of stockholders' liability, and to permit the issuance of stocks for considerations which, though perfectly valid in themselves, may nevertheless be complicated sooner or later with legal doubts and questions. Such complications may be the result of an incorrect valuation placed by the directors on a property when the company is organized and when the value of the property cannot be readily determined. It is largely to obviate any such troubles and difficulties that many corporations have refrained from designating any "par" value for their shares.

Of course, the stockholders' interests are the same, whether the corporation concerned issues 1,000 shares of $100 par value to cover assets having value of $100,000, or 1,000 shares without par. In the event of an appreciation in the valuation of the company's assets, a share of stock without par value will inevitably find its actual price level just the same as if it had some designated or arbitrary par value.—Editor.

INVESTMENT ASSOCIATIONS

Editor, The Magazine of Wall Street.

Sir: It was with interest that I read your article on "Investment" Associations on page 267 of the issue of June 26, 1920.

I wish to inform you that I have knowledge of one such club made up of about 20 young men in a Sunday School class at Reading, Pa. They are saving at the rate of 50 cents per share per week, or did when organized April, 1919, as I at that time helped in planning the system, and are buying $100 bonds as they accumulate enough money to buy outright and a different issue at each time, making for

safety by diversification. Each member has a vote gauged by the amount he pays into the fund.

Mr. H——— of the Penn National Bank, Reading, Pa., has given quite a bit of his time to this group of men, instructing them by lectures and advice.

Would that we had more men like the president of the Penn National Bank, who would give some of their valued time to such young men and steer them away from wild-cat, catch-penny promotions into real investments and speculations.

Thought this might interest you and perhaps give you the basis of an article which would start more such associations.

Sincerely valuing many bits of valuable information and suggestions gathered together in your magazine, I remain, T. C. M.

COMPANIES WHOSE SECURITIES ARE ANALYZED IN THIS ISSUE.

GERMAN VEGETABLE FIBRE INDUSTRY

(Continued from page 81)

excellent table linen, stockings, sporting jackets and machine belting. A cloth composed of 25% Solidonia and 75% wool is said to surpass any pure-wool cloth in tensile strength. In 1914, Solidonia in the carded stage found a ready market at 30 cents a pound, delivered in New York or Boston.

Another vegetable fibre from which the Germans have obtained splendid results is Posidonia, derived from seaweed which is dredged in Australia and cleansed and washed in sweet water. The staple of this fibre is declared to be equal to a medium staple wool and it is spun on the worsted and woolen system. Owing to the elasticity and springiness of this fibre, cloth made from it shows scarcely any creases. The Germans have made strong cloth of good appearance by mixing the fibre with wool or shoddy. By reason of its springiness, German textile men believe Posidonia will have a wide field of use in the carpet industry.

The principal way in which jute has been employed in the United States is in the form of cheap lining and burlap, but by chemical treatment the German manufacturers are producing a beautiful fibre from it which can readily be spun on the worsted system, pure or mixed with wool. Fine results are secured from old jute rags also, serges made from the rags being used for women's costumes that have puzzled many experienced textile men. Sweaters and vests are made from jute worsted yarn and it is difficult to recognize them as being made of such.

The chief German plant engaged in the fiber industry has an output of 10,000 pounds of treated fibre per day and the worsted mill is now continually working, being operated in three 8-hour shifts.

The New-Book Letter

SPECULATION AND THE CHICAGO BOARD OF TRADE—By James E. Boyle.

A straightforward, businesslike study of the Chicago Board of Trade. Mr. Boyle has had practical experience, besides knowing the theoretical side of the subject. He gives a lucid account of the advantages of speculation. This is the first time that such a piece of work has been done based on the Chicago Board's activities, and the book is one that all business men will find of immediate interest.

Price $2.60, postpaid.

EDUCATION: ITS DATA AND FIRST PRINCIPLES—By T. Percy Nunn, M.A., D.Sc., Prof. of Education in the University of London.

This book is addressed to two classes of readers. It offers to professional students a preliminary survey of the whole field of educational theory and practice; while the wider public, whose enlightened interest is the mainspring of social progress, find in its pages something to stimulate reflection.

Price $2.00, postpaid.

INTERNATIONAL LABOR LEGISLATION—By Iwao Fred'k Ayusawa, Ph.D.

This is a study of the history and progress of international labor agreements, treaties, conventions and congresses, resulting in labor legislation with international validity or important international bearings.

Price $2.10, postpaid.

HIGH PRICES AND DEFLATION—By Edwin Walter Kemmerer, Prof. of Economics and Finance in Princeton University.

An explanation of inflation and the rise in the cost of living since 1913; why prices must ultimately come down and the policy to be pursued in order to bring about deflation.

Price $1.35, postpaid.

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The books, booklets, pamphlets, circulars, special letters, etc., listed below have been prepared with the utmost care by houses of the highest standing.

They will be mailed on request direct from the issuing firm to the readers of THE MAGAZINE OF WALL STREET FREE OF CHARGE.

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An excellently prepared booklet, showing in detail the benefits accruing from this type of investment. (123)

FAITH IN A SECURITY SHOULD BEGIN AT HOME

This is the belief of one investment security house and the story of why they have Guaranteed their security is published in an interesting booklet which will be sent upon request. (75)

AN INVESTOR'S CATECHISM

A little book answering some all-important questions for the investor. (49)

TWO HIGH CLASS RAILROAD STOCKS

Detailed analyses of Union Pacific and Canadian Pacific are presented in this booklet, followed by a table exhibiting price and dividend record on the common stocks for the period of 1901-1919. (44)

ATTRACTIVE LISTED RAILROAD BONDS

This circular describes a carefully selected group of issues which combine sound security with an exceptionally high yield. (68)

"YOUR FORTUNE"

This booklet contains many interesting charts, showing how capital can be increased by investing in Louisville Gas and Electric Company. (12)

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A comprehensive circular by a well-known investment house on the present market situation. (113)

"A WEEKLY MARKET LETTER"

This market letter is written by a prominent stock exchange house and in our opinion is one of the best of such letters issued. (96)

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A complete list and description of Standard Oil stocks, including a weekly summary. (72)

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A handsome book discussing, in an elementary way, the preferred stock. (74)

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A booklet offering some sound arguments for this type of insurance. (66)

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One of the most comprehensive and easily read circulars that has ever been issued on Liberty Bonds. (86)

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"The briefest review of its scope" aptly describes this very interesting review edited by a very able statistician. (78)

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